

THE Nation's Business

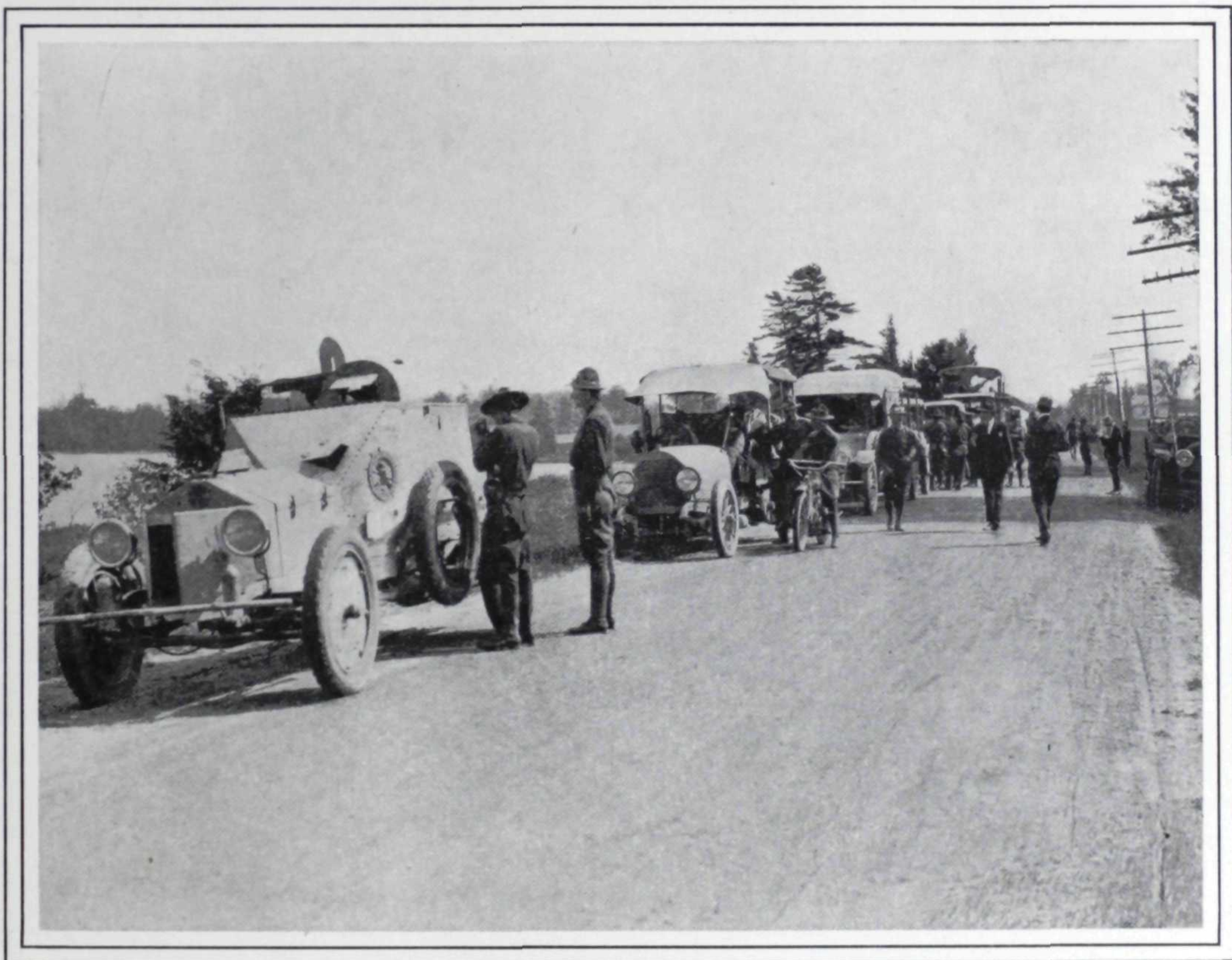
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BUSINESS MEN WORKING OUT NEW PROBLEM IN MILITARY TRANSPORT—MOTOR MACHINE GUN
TROOP AT PLATTSBURG, 1915.

Business Men Want Preparedness Commercial Arbitration with Argentina

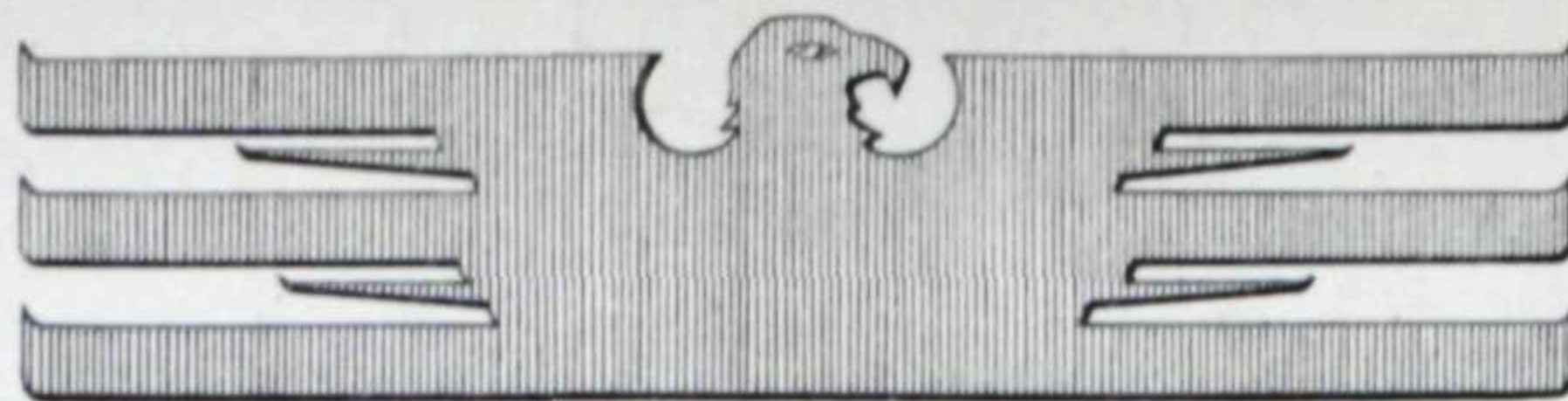


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THE NATION'S BUSINESS



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THE NATION'S BUSINESS is the Official monthly publication of the Chamber of Commerce of the United States of America and, as such, carries authoritative notices and articles in regard to the activities of the Chamber, its Board of Directors and Committees. In all other respects it is a magazine for business men and the Chamber is not responsible for the contents of the articles or for the opinions to which expression is given.

JUNE, 1916

Commerce in the Month's News

Business Men Want Preparedness

PUBLIC opinion is frequently difficult to analyze. But when three hundred and fifty-nine commercial organizations in forty-three States vote by one hundred and twenty to one for a scheme of preparedness to make the entire military, industrial and financial strength of the nation fully available, there need be no further pessimism as to the general soundness of American citizenship.

Business men have cast an overwhelming vote for universal military training. They are equally decided about a bigger and adequate army and navy. They believe in a Council of National Defense and a means to mobilize the unequalled industrial resources of the country. American business men are a conservative element of public opinion. Their judgment is based on a definite stake in the country and careful weighing of the cost of ways and means. A vigorous expression from them, by a sweeping vote for the most complete and thoroughgoing plan for preparedness which has yet been proposed either in or out of Congress, is momentous.

No effort will be spared to make effective such a striking disclosure of opinion.

Democracy Requires Cooperation

NOT long ago—indeed a matter of months—congestion in railroad traffic to our seaports had reached such a stage as to threaten disaster. The cause had certain natural origins. Our exports in 1914 amounted to something like two billions of dollars. In 1916 they will be well on towards four billions of dollars. The flow of merchandise over established routes bade fair to double in two years.

Could there be a solution? Could such unforeseen and extraordinary pressure be borne? An answer was attempted by the appointment of a committee composed of representatives of all the railroads concerned, many of which in normal times were keen competitors. The committee was strengthened by the addition of a member of the Interstate Commerce Commission so that the Government might cooperate in such an undertaking.

A few months have passed and what is the result? It would appear that the question has been solved as to its chief difficulties. Cooperation has done it. Another example has been furnished of the effective action in a democracy of cooperation based on complete elimination of individual interests for the sake of the public welfare.

Facts About Our Merchant Marine

A NEW angle of vision on our shipping is afforded if we consider tonnage instead of values as the element by which to measure our merchant marine. It has been freely and accurately stated that only a small part of our exports is carried abroad under the American flag—something like eight to twelve per cent. In values measured in dollars and cents, it is true that the last four years have seen anywhere from 88 to 92 per cent of our exports carried from the United States in ships flying the British, German and other foreign flags.

It is equally true that, in tons of merchandise, one-fourth of our exports even in 1891 went out of the country under the American flag. In 1916 the official reports when compiled will show that something like 35 per cent of the tonnage of our exports were borne away in American ships—one-tenth in value, it is true, but one-third in bulk. And this great increase has taken place in spite of the fact that the amount of our exports has considerably more than doubled. In other words, the carrying capacity of our merchant marine has grown at even a greater pace than our rapidly mounting exports. There is no question that we need more of an American merchant marine. There is also no question but that we are getting it at a rate of increase greater than that of our present abnormal commercial expansion beyond the seas.

The Manufacturer and Retail Competition

THE rights of manufacturers are variously recognized as existent. But their scheme of being in the realm of retail competition has been vigorously debated for at least two years. The question is really older than that, but since the second Annual Meeting of the Chamber of Commerce of the United States it has been formulated for discussion by a number of authoritative expressions of opinion on either side.

After a great deal of labor and research, a referen-

dum was sent out setting forth two alternatives. The first, providing that federal legislation should permit the maintenance of resale prices, under proper restrictions, was carried by the necessary two-thirds majority. The second, stipulating that the Federal Trade Commission should be empowered to prevent price-cutting when it should become an unfair method of competition, just failed by ten votes of the two-thirds majority.

This means that a large body of business men have come to the conclusion that manufacturers of identified commodities, whether of automobiles or lamp chimneys, may require retailers all over the country to put them on the market at a uniform and stipulated price. It is obvious that proper restrictions should surround such a dispensation; but the principle is endorsed and its soundness approved by a strong vote of those immediately interested.

Vocational Education

TO educate citizens for a vocation and make them a self-supporting as well as a self-respecting element among the people of the United States is surely deserving of government encouragement.

National training for self support or, as it is more commonly called, vocational education, has possibilities which will mark another step towards that national consciousness of mutual responsibility which should reach full bloom in a sound democracy.

By an extremely large vote, the commercial organizations in almost all the States of the Union have registered their emphatic approval of government aid for vocational education. A plan has been endorsed in Referendum Number 14 which, while providing for financial aid from the Federal Government, with certain assistance and supervision from a Federal Board, will still leave the administration of the schools in the hands of local authorities familiar with local conditions and requirements.



NEW RECORDS—Gaar Williams in the Indianapolis News

Vocational Education and Price Maintenance

Results of Two Recent Referenda

THE count of the votes cast on the referendum for vocational education, advocating national training for self-support, covered forty-two states and showed a conclusive majority for all of the four recommendations made in the Committee report which formed the subject of the ballot. Interest in the subject was shown by one of the largest aggregate votes which has ever been cast.

The Chamber of Commerce of the United States is now committed to endorsing liberal federal appropriations for vocational education, allotted among the States on a uniform basis and with a uniform relation to appropriations made by the States for like purposes. Appropriations are to be supplemented by the creation of a federal board to be representative of the interests vitally concerned and to receive such salaries and compensations as will command the services of men of great ability. This board will be required to appoint advisory committees of five members each, representing industry, commerce, labor, agriculture, home-making and general or vocational education.

There is now a bill in Congress which in its present form embodies two of the features required in the referendum, namely, federal appropriations and uniform apportionment among the States. The bill also provides for the creation of a federal board like that recommended, but does not stipulate that this board must necessarily be representative. The only feature not included at least in part in the bill is that calling for the appointment of advisory committees.

The Chamber of Commerce of the United States, at the annual meeting in 1913, adopted resolutions strongly en-

dorsing the principle of federal aid for vocational education in the States, and the recent referendum confirms this attitude in detail by a very convincing vote. Vocational education will encourage achievement in useful industry and will do much to increase national efficiency.

Maintenance of Resale Prices

The right of manufacturers to stipulate a uniform price for the sale of their

unfair competition and authorizing the Federal Trade Commission to prevent it in interstate and foreign commerce, failed by ten votes to obtain the necessary two-thirds majority. The result is that the Chamber of Commerce of the United States stands committed to advocating the principle of maintenance of resale prices, but with certain qualifications. First of all, it is said that price maintenance should be permitted only under proper restrictions. In the second place, it should be limited to identified merchandise for voluntary purchase, and finally, it should be allowed only in regard to articles sold under competitive conditions. Thus, while the National Chamber is committed to the general principle of price maintenance, it is at the same time limited definitely as to the direction in which its efforts must be exerted.

This decision on a question which has been the subject of so much wide difference of opinion was based on a vote which included forty-one States of the Union and also Alaska, Hawaii, the District of Columbia. The vote was also cast by the American Chamber of Commerce in Paris, France. In all, 354 commercial and trade organizations went on record in the matter. In many instances the vote among these organizations is reported to have been close and exciting. A large proportion of those who en-

dorsed the first recommendation also voted in favor of the second. That this latter question failed by a small margin of the necessary two-thirds majority is a further indication that the general trend of opinion among the large number of organizations voting favored the principle at issue.

MAINTENANCE OF RESALE PRICES

I

There should be Federal Legislation permitting the maintenance of resale prices, under proper restrictions, on identified merchandise for voluntary purchase, made and sold under competitive conditions.

In favor, 690 $\frac{1}{4}$; opposed, 236 $\frac{3}{4}$.

II

Federal Legislation should take the form of an amendment to the Trade Commission Act defining the conditions under which price cutting is an unfair method of competition and authorizing the Federal Trade Commission to prevent such price cutting in interstate and foreign commerce.

In favor, 548; opposed, 289.

FEDERAL AID TO VOCATIONAL EDUCATION

I

The Committee recommends liberal Federal appropriations for promotion of vocational education in the United States.

In favor, 831 $\frac{1}{2}$; opposed, 109 $\frac{1}{2}$.

II

The Committee recommends that Federal appropriations should be allotted among the States upon a uniform basis and should bear a uniform relation to appropriations made by the States for like purposes.

In favor, 828; opposed, 95.

III

The Committee recommends the creation of a Federal Board, to be representative of the interests vitally concerned and to be compensated sufficiently to command great ability.

In favor, 788 $\frac{1}{2}$; opposed, 143 $\frac{1}{2}$.

IV

The Committee recommends that the Federal Board should be required to appoint advisory committees of five members each, representing industry, commerce, labor, agriculture, homemaking, and general or vocational education.

In favor, 783 $\frac{1}{2}$; opposed, 136 $\frac{1}{2}$.

goods at retail has been a moot question, and was the subject of keen discussion during the balloting on the referendum which has just been concluded. The ballot contains two questions, the first of which was carried by a substantial vote endorsing price maintenance. The second question, urging legislation to define conditions when price-cutting becomes

Business Men Willing to Pay for Defense

Overwhelming Vote in Favor of a Thoroughgoing and Complete Plan for Preparedness

HYSTERICAL movements can never have any permanent value. On that account, the referendum vote for National Defense holds a place of special significance. Since the outbreak of the war there has been propaganda for peace as well as for expectation of war. There has been a great wave of sentiment for greater military preparation in the United States. But there has been little if any opportunity for considered and measured reflection on the subject. The commercial organizations which voted on the referendum had forty-five days to consider and register their votes. Moreover, they had been notified at the fourth Annual Meeting of the Chamber of Commerce of the United States last February that their vote would be called for in the near future.

A Carefully Considered Decision

Consequently they were prepared to vote on preparedness. The result is momentous. The Special Committee on whose report the referendum was based represented the army, the navy, the national guard and business. Its recommendations have gone further on thoughtful and permanent lines than anything yet proposed by any serious body. Every one of these recommendations, including the keystone of the arch, universal military training, has received an overwhelming endorsement, varying from 120 to 1 to a minimum of 15 to 1. The business men of the United States are a conservative element of public opinion with a definite stake in the country and with full realization that they will have to pay a large share of the bills for national defense. They have not only

ANALYSIS OF THE VOTE		
	For.	Against
1. For general preparedness...	970	8
2. For a Council of National Defense	911½	45½
3. For a Staff of Industrial Mobilization	924½	46½
4. For an adequate navy....	952	10
5. For a General Staff of the Navy	945½	19½
6. For a regular army with trained reserves such as recommended by the General Staff or Council of National Defense when established	945¾	20¾
7. For universal military training	889¾	55¾
8. For prearrangement with private companies for war supplies	940¾	27¾
9. For reserve supplies of war material	935¾	28¾
10. For additional commissioned and non-commissioned officers of the regular army and a properly trained officers' reserve corps	960½	8½

endorsed a plan which provides for universal military training, with an army based on recommendations of the General Staff and a navy second in the Atlantic with surplus sufficient to be first in the Pacific, but they have appreciated the fact that this war, and any future wars, will be decided on the industrial strength and resources of the contending nations. They have consequently voted solidly for mobilizing in peace time the industrial and all economic resources of the country on a democratic basis which will make individual manufacturers and business men and the Government share equally in responsibility for the safety of the nation. The plan eliminates a profit interest in war.

A Complete Plan

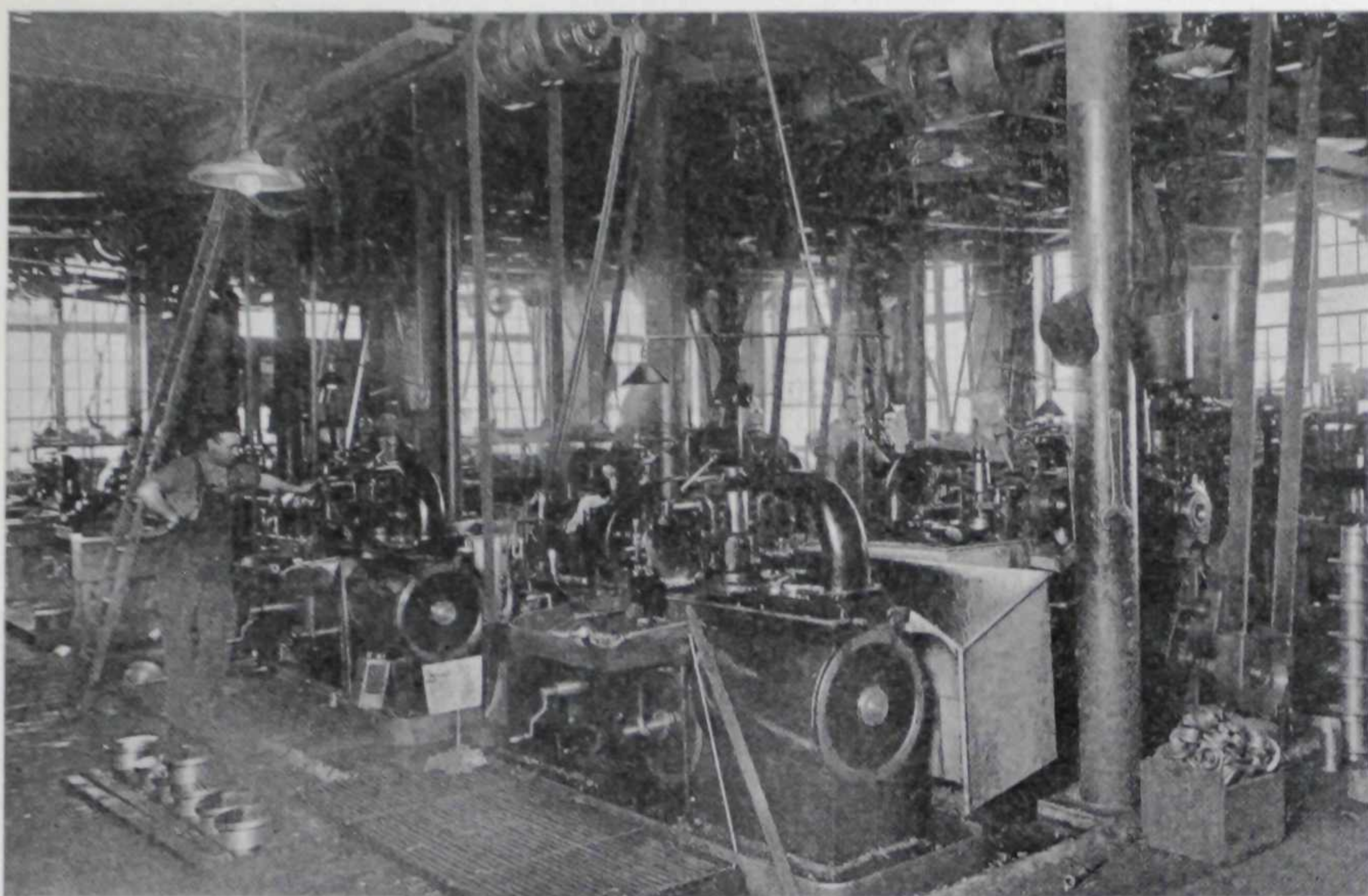
It was natural that business men should emphasize the economic side of preparedness, for on that phase of it

they are qualified to speak with some authority. But they have gone further and included in their recommendations a complete system of national defense which will insure the colossal potential resources of the United States being made available for the supply and support of the army and the navy. They have realized that for every man on the firing line or at sea there must be several others effectively organized for support and supply on land. They have realized that in a democracy the only solution of aggregate responsibility must be found in equal obligations on the part of all citizens. We do not have voluntary taxes; why should we have voluntary defense?

Another thing which has resulted in a certain amount of lost motion in our departmental system of government has been the lack of coordination. Business men have seized on this point and offered a definite remedy. For policy, planning and general advice and counsel, they have decided on the necessity and urgency of a Council of National Defense, or some body of that nature, which will be able to coordinate and plan continuing policies for the army and navy and render advice to the President and Congress. To coordinate the material support for the army and navy, a staff of industrial mobilization is recommended which will do the same thing in munitions and equipment which the Council of National Defense will do in policy and counsel. Supplies and equipment and munitions for the army and navy can only be adequate if they are standardized and have brought to their support the entire economic resources of the country.



COMMERCIAL VEHICLES WHICH WOULD TAKE PART IN INDUSTRIAL MOBILIZATION.



AN AUTOMOBILE FACTORY WHICH COULD DIVERT ITS MACHINERY TO THE MANUFACTURE OF MUNITIONS

The plans advocated by the Chamber of Commerce of the United States will call on every available plant in the country to learn the manufacture of at least one item in the long and diversified list of army and navy supplies. Those plants which can be utilized, either in the production of munitions or other supplies, must know in advance what part they will be called upon to play in fulfilling the needs of a crisis. It is now appreciated that in case of any serious war practically every manufacturing plant in the country would be required to produce, in greater or less quantity, supplies needed by the military establishment. But no adequate organization for such a crisis can be effected in time of emergency. Every step looking toward an efficient organization of this kind must be taken in advance. No "last hour" legislation can do it, nor hysterical, nervous effort. No manufacturing plant can be expected, without months of costly delay, to swing from its regular commercial line on to the production of materials in the making of which no experience has previously been had, and for the production of which no plans have been made in advance.

Prearrangement for Supplies

The first move in this direction is an industrial survey. This is already being undertaken by a sub-committee of the Naval Consulting Board, of which Mr. Howard E. Coffin is chairman—a movement which has the expressed approval of the President of the United States and the Secretaries of War and of

the Navy. In principle it has also received sweeping endorsement in the referendum on national defense. When the survey is complete—and it should be made official and permanent—then the Government is recommended to encourage manufacturers to make military and naval supplies. Not only munitions workers, but any plant whose equipment is found by the survey to be capable of adaptation to any form of supply, should be trained by small annual orders, based on prearranged price agreements, to be able to undertake larger orders in case of a crisis.

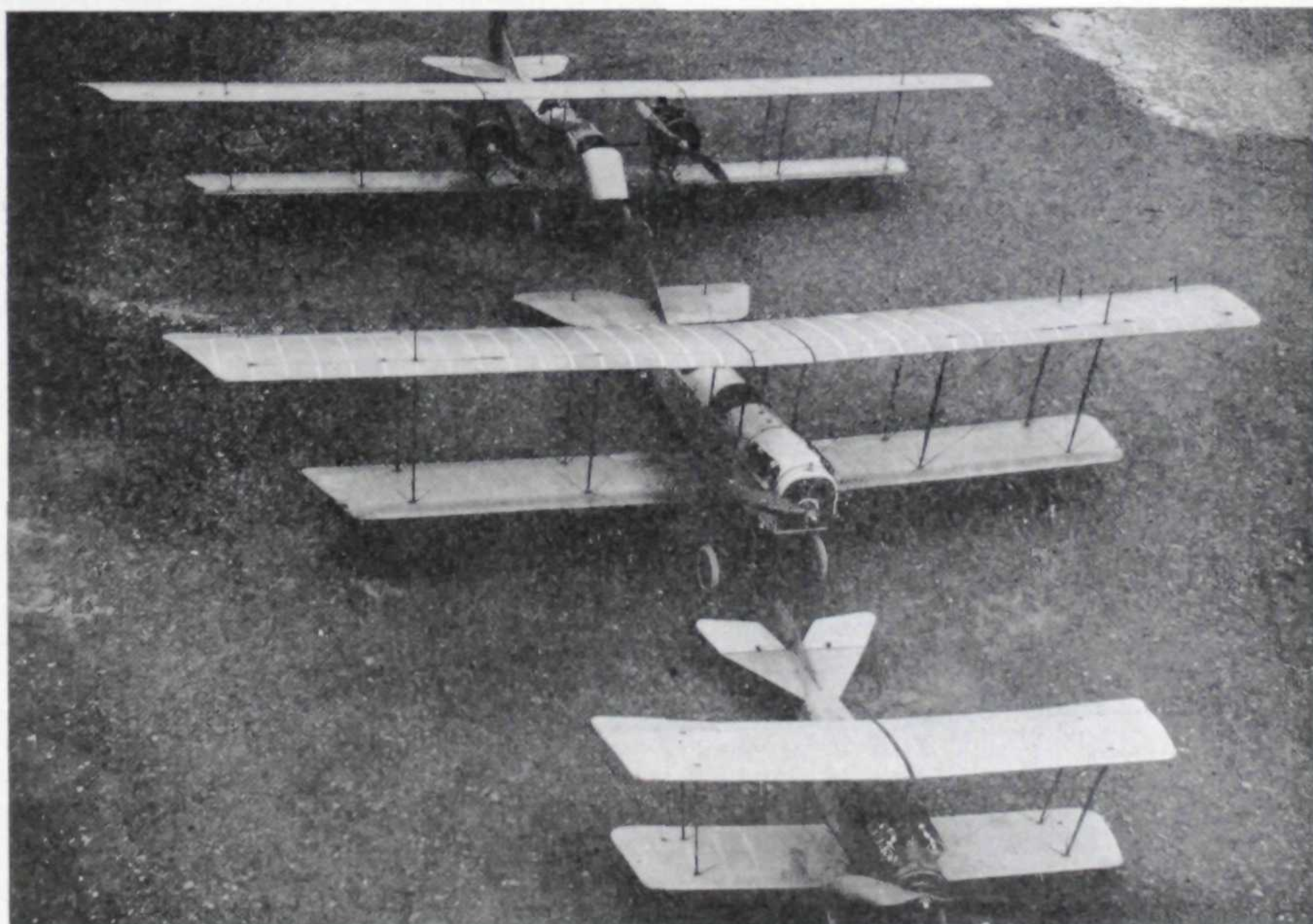
For example: Plant "A," having

reported its equipment and facilities to the Staff of Industrial Mobilization, is inspected by an officer of the Staff and told that it can make fuses for shrapnel shells better than anything else which the government might need in time of war. Plant "A" then enters into contract with the government agreeing to make from drawings and instructions furnished by the Staff a complete set of tools, dies, jigs, etc., necessary to turn its entire productive capacity to the making of shrapnel fuses. The government agrees to give a minimum annual order for fuses to Plant "A" in peace time sufficient to educate the working force of the plant and its managers in the production of fuses, together with profit enough to repay the investment in tools. The same contract further specifies the lease price at which the plant could be taken over with its personnel by the government in time of war. The government also issues an insurance policy to the owners of the plant that the physical property would be returned after the war in as good condition as it was before, less ordinary depreciation.

The lease price should be large enough to constitute a "living wage" to stockholders, *but not large enough to create a profit interest in war.*

The experimental, educational, inspection and assembly of functions necessary for any complete system of quantity production should be carried on in

(Continued on page 21.)



A GROWING SPORT AND A VITAL ELEMENT IN WAR IN WHICH THE UNITED STATES IS WEAK. THREE TYPES OF CURTISS AEROPLANES

Commercial Arbitration With Argentina

By JOHN H. FAHEY

ONE of the notable features in connection with the recent meeting of the International High Commission on Uniform Legislation in Buenos Aires, was the formal exchange of contracts between the Bolsa de Comercio of Buenos Aires and the Chamber of Commerce of the United States, providing for the friendly arbitration of commercial disputes between business men of the two countries, and the approval of this convention by the International High Commission.

The detailed plans providing for arbitration of commercial disputes and the exchange of agreements between the two organizations completes the negotiations which have been under way since the first Pan American Financial Conference held in Washington last year, and represents the conclusion of the first general contract for international arbitration yet perfected. Committees representing the Chamber of Commerce of Buenos Aires and the Chamber of Commerce of the United States are arranging the only detail outstanding, that concerning the composition of the lists of arbitrators in the two countries.

It was my privilege to present the papers on behalf of the Chamber of Commerce of the United States, and they were received by Luis E. Zuberbuhler, President of the Buenos Aires Chamber

of Commerce, a leading merchant of the Argentine, who is held in the highest regard because of his business capacity and public spirit. President Zuberbuhler delivered a very happy and cordial address welcoming the members of the Commission and congratulating the business men of both countries on the completion of the arbitration agreement.

Mr. Zuberbuhler's Address

In his address to the members of the High Commission, and with the request that the sentiments he expressed be conveyed to the members of the Chamber of Commerce of the United States, he declared that the Chamber of Commerce of Buenos Aires entered into the arbitration agreement "with the full assurance that it is destined to bring great benefit to the merchants of our respective countries, who see the scope of their commercial relations grow wider day by day, meeting needs which have increased in these latter days."

"With the cooperation of Europe restricted—and to this cooperation we owe the degree of progress you have undoubtedly been able to appreciate during your stay in our midst—it rests with you to substitute it in part by making use of your vast resources, accumulated in a relatively brief space, with singular intelligence and zeal.

"The work with which you are charged, and whose realization is the reason for your visit to our country, is of transcendent importance. Your mission will serve to show you a people consecrated to work, striving to grow greater, which only needs in order to hasten its march towards its great destinies, the help of the means you possess in abundance, by contributing to closer intercourse.

"To attain this end, we shall have to shorten the distance separating us, by establishing rapid means of communication, which shall extend and draw still closer our social and commercial relations.

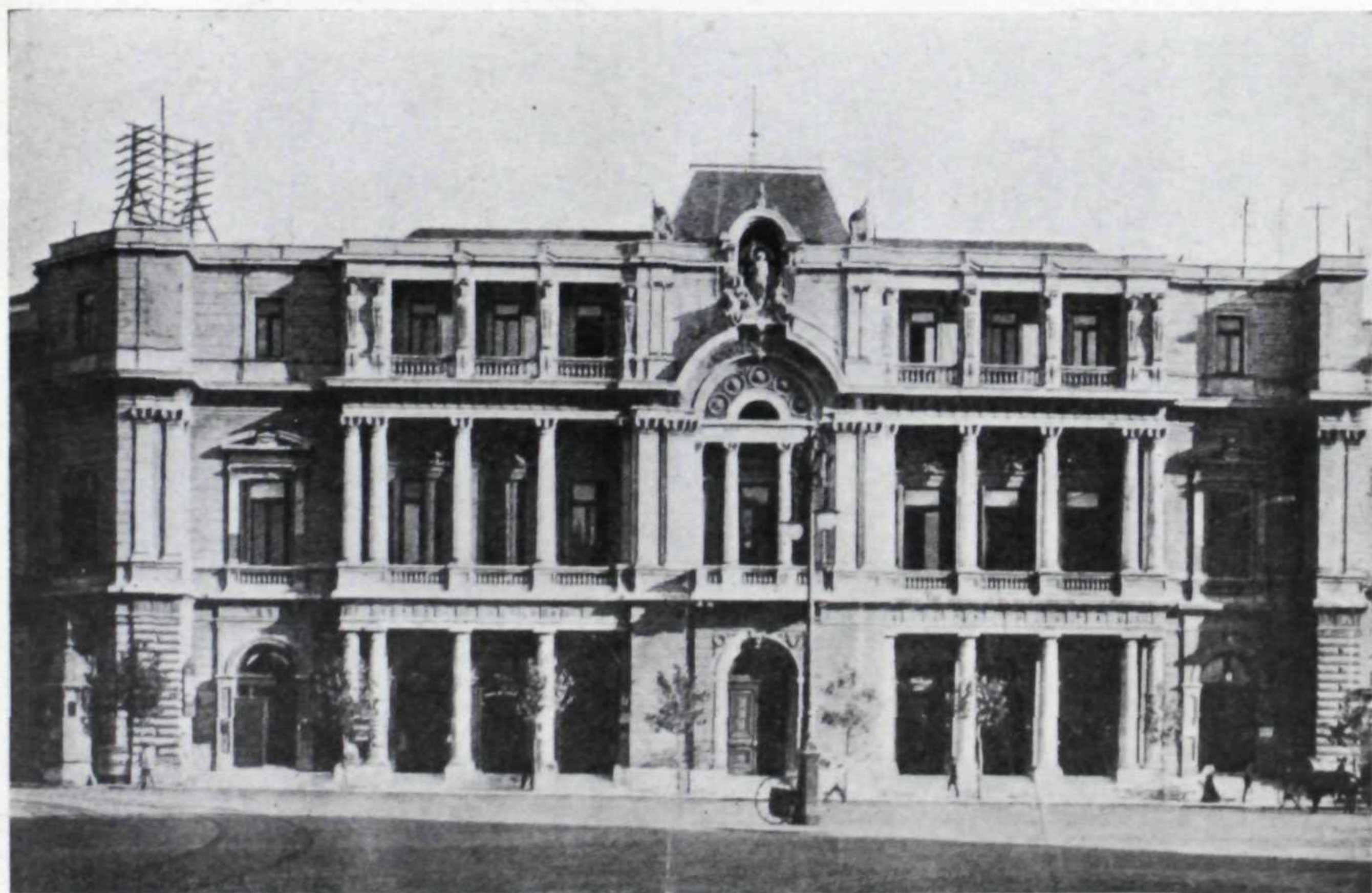
"Your influence and your efforts must be placed in the service of that confidence we must inspire in each other. So far as our business men are concerned, the traditions for rectitude they have established and maintained in all their vicissitudes constitute the best guarantee of the trust they deserve, for it is on this that the growing development of the relations between countries rests.

"Your visit to our institution on the occasion of the signing of the arbitration agreement which is to assure to the merchants of both our countries an equitable, swift and economic solution of every question or misunderstanding arising out of any transaction, is most pleasing to us, and we express the hope that it shall be the happy omen of the conscientious enforcement of this agreement and thus contribute to drawing our already close ties even closer."

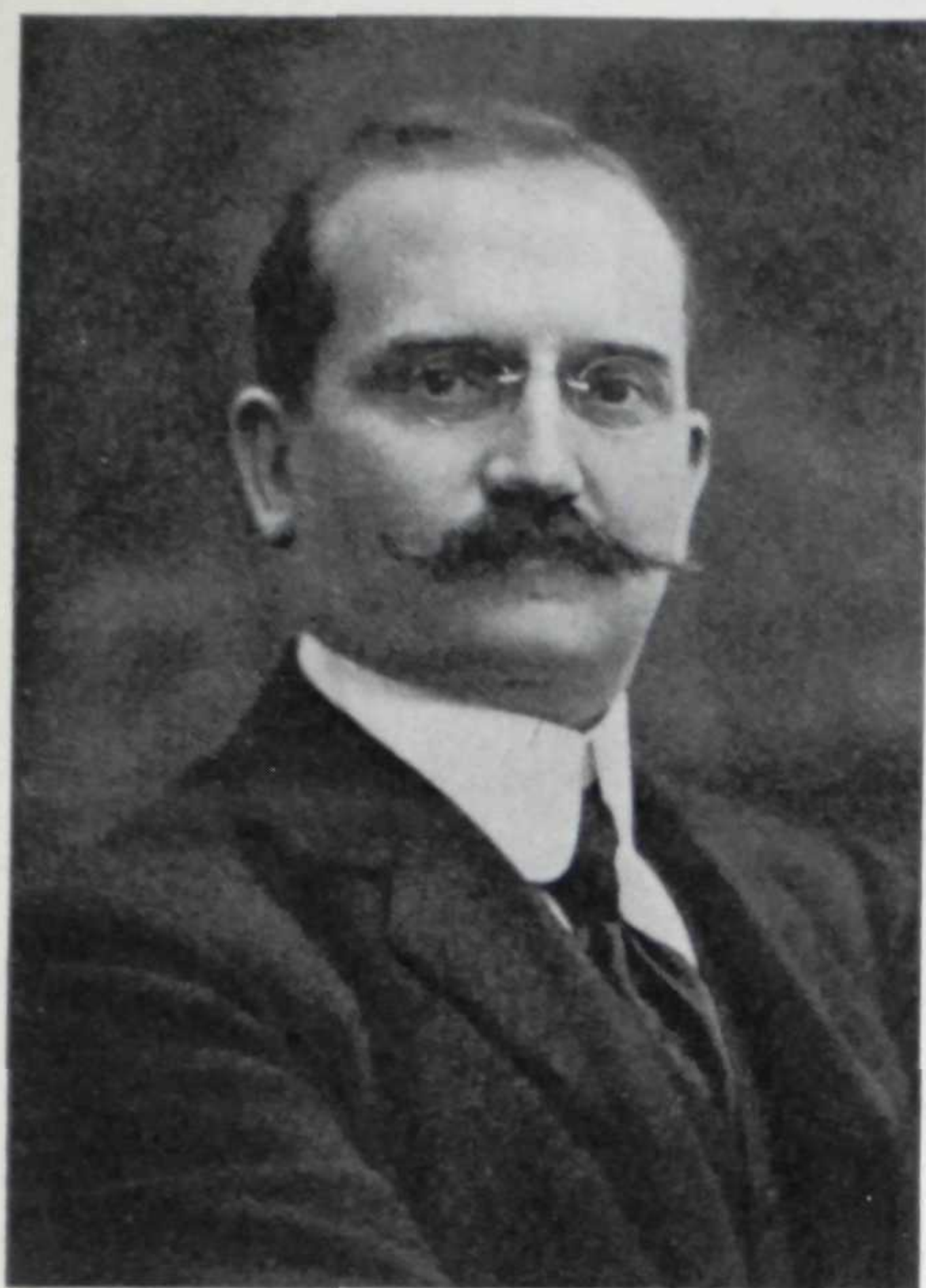
A Great Commercial Organization

The Bolsa de Comercio of the Argentine is one of the oldest and largest institutions of its kind in the world and has about 3,000 members. It occupies a splendid home of its own in the centre of the city. Its development has been such that it has outgrown its present quarters and will occupy a handsome new building before the end of the present year. It performs not only the general functions of a Chamber of Commerce, but is likewise the biggest security exchange in South America.

The agreement perfected between the two Chambers was placed in its entirety before the International High Commission and unanimously endorsed by the Commission, with the recommendation that similar agreements be entered into between all other countries of the Pan American Union, wherever practical.



BOLSA DE COMERCIO OF BUENOS AIRES WHERE THE CONCLUSION OF ARRANGEMENTS WAS MADE



MR. LUIS ZUBERBUHLER
President of the Bolsa de Comercio

In addition to this, the Commission recommended that studies be made as to the possible extension of the principle to include all kinds of commercial controversies. It is considered that arbitration can be utilized in a very valuable way, if it can be extended in its application to disputes between the government of one country and corporations or citizens of another.

The negotiation of the agreement between the Chamber of Commerce of Buenos Aires and the Chamber of Commerce of the United States is largely due to the intelligent leadership of Dr. Richard C. Aldao, of the Argentine Section of the International High Commission, and the cooperation of President Zuberbuhler, of the Buenos Aires Chamber together with the work of the United States members of the Committee which includes Frank A. Vanderlip, J. G. White, Charles Bernheimer, W. S. Kies, Owen D. Young and John H. Fahey.

The suggestion was presented by Dr. Aldao at the Pan American Financial Congress, and the cooperation of the Chamber of Commerce of the United States was invited. This was promptly given and the United States Committee appointed. Meetings were held in New York immediately after the adjournment of the Pan American Financial Conference, and a rough draft of the plan was soon worked out. It finally assumed definite shape and was presented to the Buenos Aires Chamber of Commerce for

consideration by Dr. Aldao. It was approved with but slight changes which were acquiesced in by the Chamber of Commerce of the United States, and the Board of Directors authorized final exchange of papers at Buenos Aires.

Arbitration has been employed for the settlement of disputes among members of local business organizations in North and South America and in Europe, for many years. The adjustment of such disputes under a definite code has been common in these organizations almost everywhere, but while the idea of international arbitration has long been under consideration, this is the first formal agreement entered into.

Outline of Plan

The code agreed upon follows much the same line of local arbitrations with changes to meet international needs. The Chamber of Commerce of the United States is to maintain a Committee on Arbitration of five members resident in the Argentine; three are named by the Buenos Aires Chamber and approved by the Chamber of Commerce of the United States; the other two are named by the Chamber of Commerce of the United States and approved by the Argentine organization. A Committee selected after the same fashion will be maintained in the United States.

In the Argentine, a list of thirty representative men are agreed upon as arbitrators; fifteen of these are selected by the Chamber of Commerce of the United States, and fifteen by the Buenos Aires Chamber of Commerce. In each case, the nominations are approved by the other Chamber. A similar list of arbitrators is selected in the United States.

Business men of the two countries may exchange agreements at the beginning of relations between them under which disputes shall be settled in accordance with the general arbitration agreement, or arbitration may be provided for in any special contract, even in those closed by cable.

Management of Dispute

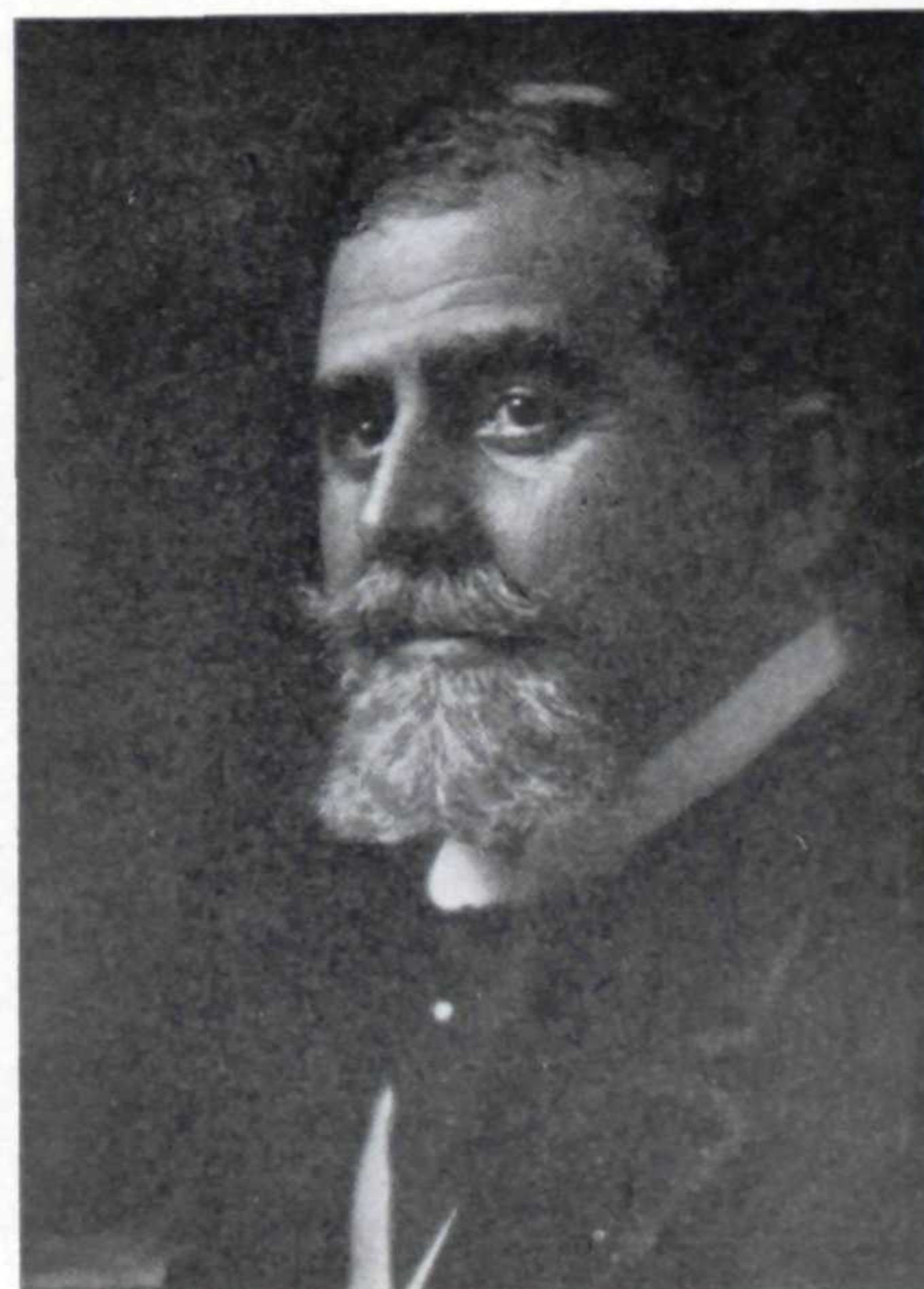
In the event of dispute, a Committee of three is selected by the merchants between whom the dispute arises. They may select from the official list of arbitrators but they are not confined to them. The arbitration proceeds under a carefully drawn set of rules, and is overlooked by the Committee on Arbitration

of the country in which the proceeding takes place.

Rules for the sale of merchandise, when there is danger of loss if it is not promptly disposed of, are made a part of the agreement, and the results of arbitrations are to be published in the two countries, from time to time.

It is the general opinion of the Committees which have worked on this project, as well as the members of the International High Commission and business men of the two countries who have considered the matter, that the completion of this understanding represents a very useful forward step and will help substantially in the development of business between the two countries, since it provides a means for the prompt and inexpensive elimination of friction and misunderstanding, a very important thing, especially in view of the great distance separating the commercial centres of the two countries.

When the agreement was reported to the International High Commission in its Buenos Aires session, the members of the Commission from Uruguay gave notice of the fact that the Montevideo Chamber of Commerce was much interested in the plan and wished to perfect a similar agreement with the United States. This matter has now been taken up by the Executive Committee of the Chamber of Commerce of the United States and is being dealt with by the Committee on Arbitration.



DR. RICHARD C. ALDAO
Of the International High Commission

In Congress Assembled



New Taxes—Federal Reserve System—Railway Mail Pay— Bills of Lading—Disarmament

ONE-HALF billion dollars will be collected by the Government from existing internal taxes in the year closing on the last day of this month, if official estimates prove accurate. This will be almost one hundred million dollars more than was collected from the same source in the twelve months ended with June, 1915, and two hundred million dollars more than in 1910.

The increase in the amount collected from internal taxes—ascribed by officials to a degree of prosperity which has been reflected in enlarged consumption of taxed articles and in augmented taxable incomes—will represent the additional revenues already available for the enlarged expenses now contemplated by Congress, since the taxes on imports are producing no more revenues than last year, yielding \$191,000,000 in the eleven months to the first day of June.

New Taxes

As the legislation now being enacted will add to the annual expenditure for naval and military purposes alone upwards of \$200,000,000, majority members of the House Committee on Ways and Means have drafted in tentative form a bill levying new taxes—on large incomes, on large inheritances and on the manufacture of munitions for foreign account. Details of the bill will scarcely become public before the week of June 19.

As the income tax was avowedly inaugurated in 1913 as “a system of taxation adjustable enough to meet the Treasury’s varying demands,” it will undoubtedly be so increased as to yield the greater part of the additional funds. Furthermore, since the normal tax on individuals last year yielded sixteen and a half million dollars whereas the additional taxes on net incomes exceeding

\$20,000 brought in twenty-five million, the new income taxes are most likely to take the form of increased levies on incomes upwards of \$20,000. In 1915 the results of the personal income tax were:

Normal tax	.....	\$16,559,000
Additional taxes on net incomes:		
\$20,000—\$50,000	.....	\$4,106,000
50,000—75,000	.....	2,500,000
75,000—100,000	.....	2,102,000
100,000—250,000	.....	5,945,000
250,000—500,000	.....	3,328,000
Over 500,000	.....	6,439,000

Amendments of Income Tax Law

The bill imposing new taxes will probably be used as an opportunity for changes in a number of features of the present law, of which last winter the Commissioner of Internal Revenue proposed some twenty-eight. One of these changes may substitute “information at the source” for “collection at the source.” Last year “collection at the source” yielded only about one-eighth of the tax collected from individuals.

Rate of Expenditure

In the midst of war, Great Britain is making expenditures at the rate of nine billion dollars a year. In the year beginning with the first of July, the United States will apparently spend slightly over a billion and a quarter, of which roughly a third will be for naval and military purposes. In 1865, when the expenditures of the United States reached their highest point, one billion four hundred million dollars, six-sevenths were for naval and military purposes.

Import Duties on Coal Tar Dyes

The bill imposing the new internal taxes will include other subjects. For example, it will undertake to change the import duties upon coal tar products in



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THE FEDERAL RESERVE BOARD WHICH IS MOBILIZING THE COUNTRY'S FINANCIAL RESOURCES

such a way as to afford some protection for the domestic dye-making industry. The majority members of the Ways and Means Committee have issued a statement declaring that "the production of dye-stuffs stands alone in its relation to the tariff. * * * The action of the Committee will make it possible that within the next five years American dye-stuff manufacturers will produce at least sixty-five per cent of the domestic consumption."

An Omnibus Bill

How much more than internal taxes and changes in customs duties on coal-tar products the bill will contain cannot as yet be definitely ascertained but, as several times announced, it will incorporate provisions for a Tariff Commission and "ample anti-dumping and unfair competition provisions."

Federal Reserve System

This spring the Federal Reserve Board recommended to the Senate Committee on Banking and Currency a number of amendments in the Federal Reserve Act. To a bill which has passed the House and which dealt only with one subject—cooperation among national banks in maintaining foreign branches—the Board's suggestions have now been added and reported to the Senate, where they will probably be considered toward the end of the month.

Domestic Acceptances

The Federal Reserve Act of 1913 allowed national banks to accept drafts drawn against transactions in foreign trade. The new bill makes similar provision regarding "documentary acceptances secured by shipping documents or warehouse receipts." This is a limited class of domestic acceptances.

Dollar Exchange

Existing law with respect to acceptances based upon foreign trade does not permit banks in Latin America and other parts of the world to facilitate remittances by selling their drafts on American national banks except in the rare cases when the underlying transaction can be segregated. To remedy this situation the pending bill proposes to make it possible for foreign banks to sell their drafts on national banks in the United States very much as they now sell them on British, German and other European banks.

Domestic Branches

Several months ago the House Committee on Banking and Currency delayed reporting the Federal Reserve Board's recommendation that two classes of national banks should be allowed to open branches in the United States, taking the point of view that it wishes to consider the opposition that had developed. The two classes of national banks concerned are those located in cities of more than 100,000 population and those located in places of less than 100,000 population. The former could open branches only in their own cities, and the latter could have branches only in their own counties. No bank could have more than ten branches. In establishing branches banks of both classes would also be under certain limitations regarding capital.

These proposals the Senate committee has now reported favorably. The committee indicates that it believes the local limitations will prevent any possibility of concentration and advocates the provision for the purpose of enabling national banks to compete with State banks, which in some States are permitted to have branches. In Canada, where the organization of branches has been highly developed, there are only some twenty-seven banks, but they have about three thousand branches.

Railway Mail Pay

The Senate now has under consideration a recommendation of its Post Office committee that the Interstate Commerce Commission should investigate the justness and reasonableness of the existing rates of compensation paid by the United States to the railroads for carry-

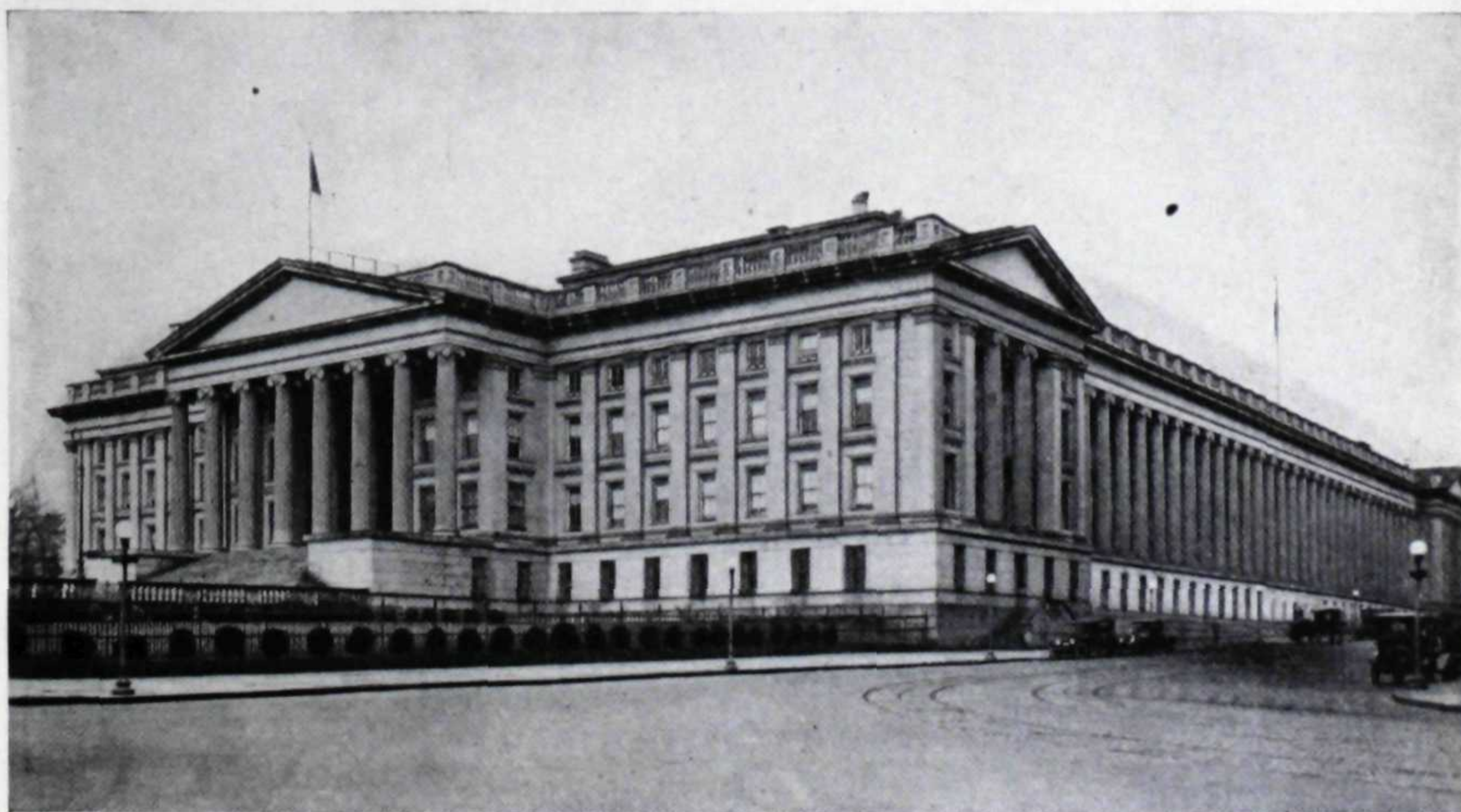
ing the mails, the administration by the Post Office Department of existing law, and the merits of the proposals that compensation should be founded on the space used on trains instead of weight, reporting to Congress the rates and the method of computing them it finds reasonable. To this recommendation the Post Office Department is apparently much opposed, preferring that compensation should be apportioned according to the space used by the Department, as stipulated in the bill which passed the House in February.

Bills of Lading

Perhaps before this issue of THE NATION'S BUSINESS can be placed in the mails the Pomerene bill, through which Congress would exercise its power over bills of lading issued by railroads and steamship lines in connection with interstate and foreign traffic, will be reported to the House. Rather extensive hearings have been held by a committee of the House, and how far the committee may propose amendments is uncertain. But it seems settled that the bill will be reported. As it has passed the Senate, action by the House will insure early enactment.

This measure which in most respects follows the uniform law adopted by a number of the States, was in April presented by the American delegates to representatives of Latin-American countries assembled at Buenos Aires as embodying principles which might be advantageously adopted by all American republics.

(Continued on page 21).



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UNITED STATES TREASURY DEPARTMENT WHICH COLLECTS AND EXPENDS FOR THE GOVERNMENT'S PART IN PREPAREDNESS

Making a Business of Scenery

By ROBERT STERLING YARD

CASTING about for the cause of a business loving nation's impressive apathy toward its national parks, I find that it lies in an entire failure to perceive the hard-fisted reasons for their existence. Until recently—it is a matter almost of months—the incomparable scenery of this land has been commonly regarded as an aesthetic luxury.

That scenery, handled in a business way, has commercial value is, of course, a recognized fact; but that our national parks so handled, on a national scale, can be quickly turned into an economic asset of incalculable value to this nation is a new idea to the public, although by no means new to the group of earnest men behind the present administration of these great properties. Secretary Lane's appointment of a business man of the vision of Stephen T. Mather to the charge of the national parks meant that or nothing.

The proposition is neither new nor untried. Its success is incontestably proved. Switzerland lives on her scenery. She makes it a business. She has practically capitalized it and is cannily developing it along scientific business lines.

The Swiss are a business people. They perceived that snow-covered peaks were as good as gold mines; that



SENTINEL ROCK, 3100 FEET, THE YOSEMITE
The Yosemite National Park possesses a sublimity which no mountain top scenery in the Canadian Rockies or the world can surpass.

glaciers and precipices paid like factories; that lake shores were as profitable as ocean fronts. So they developed their properties. The State built fine

roads and the people put their profits into hotels and chalets. When they over-developed their market the State sought increased custom abroad. It established tourist agencies in France and Germany and Russia and England; later, and extensively, in America. It spent good money in ever-increasing sums in advertising, testing each venture with its resulting increase of gross income, until Switzerland's scenery business became, previous to the present war, a great national business.

It seems strange that this business could have grown to such immense proportions without spurring to rivalry so keen a business people as our own. And yet it is not strange. The business was exploited so cleverly that its mechanism is only now becoming clearly apparent. Before the beginning of this nation Switzerland was considered endowed above all the world with supreme scenery.

There are few Americans today who know, or hearing it, actually realize that American scenery in quality, variety and quantity outclasses Switzerland's decisively.

But recently another people in this hemisphere realized it. A few years ago Canada observed, heeded and acted. Canada has entered the scenery business energetically and thoroughly. She studied Swiss methods and improved upon them. She put business men in charge and gave them power. Having railroad prosperity and local business for her object, she planned carefully and executed boldly. Picking out the Lake Louise region as her point of first concentration, she set about the establishment of its trade mark. She began to advertise extensively and well.

And the results?

These countries, Switzerland and Canada, today share the scenic reputation of the world. It has been estimated that in normal times the Alps draw a hundred millions of American dollars a year. Abroad, the Canadian Rockies are supposed to be the only scenery in North America worth looking at, and before last summer (and perhaps today) it was the fixed belief of most Americans that they excelled anything in the United States.



MOUNT RANIER NATIONAL PARK, WASHINGTON.

With a scenic area scarcely greater than several of our own fourteen national parks, Switzerland spends enormous sums in developing and maintaining her properties; yet the spectacular glaciers of Mount Ranier National Park are equally beautiful.

Thousands of citizens of the United States go yearly to the Canadian Rockies for the particular purpose of seeing what they think the most stupendous thing in scenery in the Western Hemisphere. And of course they see it, and of course they come home and spread its fame.

It is significant that even in this period of costly war, British colonies are seeking advertising opportunities in America. Only a few weeks ago an American motion picture bureau received a gift of 25,000 feet of film, largely scenic, from South Africa.

But here are the facts:

The Swiss Alps may be offset by our Glacier National Park alone. Glory for glory, beauty for beauty, Glacier will match points and usually score. But who ever heard of the Glacier National Park? And, beside, we have the spectacular glaciers of Mount Rainier National Park, and the marvelous mountain scenery of our Sierra parks, to say nothing of the new Rocky Mountain National Park, less than fifty miles from Denver, whose average timberline is loftier than most of Switzerland's summits, and whose rocky peaks challenge the world for sheer beauty and accessibility. So much for the Alps.

The celebrated Canadian Lake Louise, which most Americans yearn to see some day before they die, is overmatched a dozen times in majesty and romantic beauty by the lakes of Glacier, while the Yosemite National Park in its newly accessible northern reaches, and the outlying regions of Sequoia (who ever heard of the Sequoia National Park?) possess a sublimity which no mountain top scenery in Canada or the world can surpass.

And this is to say nothing of those national parks and monuments to which, in kind, nothing corresponds elsewhere in the accessible world—Yellowstone with its geysers and its painted canyon, Mount Rainier with its twenty-eight giant glaciers flowing from one summit, unique Crater Lake, the incomparable Yosemite Valley, Sequoia with its million Giant Trees, and the Grand Canyon of the Colorado.

What has the United States been doing with them?

Conserving them. Just conserving them. From time to time Congress has reluctantly spared an appropriation for each, in no case anywhere in sight of the actual public demand existing

at the moment. Our national parks have had little patronage because few have ever heard of them, and because it has been so expensive to visit them and

"See America First" focused the national gaze. American scenery was discovered.

Since then the doctrine has spread with American rapidity. What this people wants its Congress grants; and we want our national parks developed. We want roads and trails like Switzerland's. We want hotels of all prices from lowest to highest. We want comfortable public camps in sufficient abundance to meet all demands. We want lodges and chalets at convenient intervals commanding the scenic possibilities of all our parks. We want the best and cheapest accommodations for pedestrians and motorists. We want sufficient and convenient transportation at reasonable rates. We want adequate facilities and supplies for camping out at lowest prices. We want good fishing. We want our wild animal life conserved and developed. We want special facilities for nature study.

All these things this people wants and must have, but it does not want them at the expense of the United States Treasury. This is a business proposition and must be built up soundly. We have the biggest and finest stock of scenery in the world and there is an enormous market for it. We can sell it at a profit, and the profit will buy our development. The bigger the business grows the greater the reduction of costs and the lower the charges. When we are doing a national business on Switzerland's scale, we can match Switzerland's low prices.

There is the story in a paragraph. It is a business proposition.



STORM IN CANYON SEEN FROM PIMA POINT

Nothing corresponds elsewhere in the accessible world to the unique beauties of the Grand Canyon of the Colorado

so difficult, when there, to see their beauties.

But another day has dawned, the day of realization. The closing of Europe turned the eyes of this people upon its own land. The Pacific expositions drew attention westward. The cry of



AFTER SUNSET, UPPER TWO MEDICINE LAKE, GLACIER PARK

The celebrated Canadian Lake Louise, which most Americans yearn to see some day before they die, is overmatched a dozen times in majesty and romantic beauty by the Lakes of Glacier Park

Domestic Commerce and Uniform State Laws

By S. R. CHILD, Chairman of the Legislative Committee of the National Commission on Uniform State Laws

DOMESTIC Commerce, roughly estimated at this time at about \$40,000,000,000 per annum, is in legal jurisdiction of two kinds—interstate and intrastate. That which is interstate comes under the laws of Congress; that which is intrastate is subject to the laws of the forty-eight states respectively.

In practice, however, this distinction is not simple. Practically every company or firm which does interstate business also handles intrastate business; and most firms which do much intrastate business also do more or less interstate business. The plot thickens when a given company finds itself doing business at one and the same time under Federal law and forty-eight kinds of State law.

The chaos which may result from conflict of law, the delays and cost of litigation, the losses to producer and consumer and banker, the charges of incompetency brought against Legislatures, and the vast degree of business inefficiency that may justly be attributed to such lack of harmony in judicial administration, are texts of too frequent discussion to require amplification in this article. It is the purpose herein to show something of the work of the great national movement through which, by progressive stages, it is to be hoped that our national problem of conflicting and incompetent State legislation shall eventually in large measure be solved.

The first initial step was taken by the American Bar Association, through a resolution reported by those great lawyers, David Dudley Field, John F. Dillon, Austin Abbott, Seymour D. Thompson, and Courtlandt Parker, just thirty years ago.

In 1892 the idea culminated in a three-day national conference of Commissioners on Uniform State Laws. The twenty-fifth national conference, in which every State in the Union and all the territorial possessions were represented by three appointed delegates each, a majority of them pursuant to legislative act, was held last August.

The National Conference of Commissioners on Uniform State Laws is, in effect, another Federal Congress in which each of the forty-eight States and five Territories is represented by three legis-

lative members. The work of the national conference differs from that of Congress, however, in that its work is confined to the drafting of model uniform acts for submission to the respective State Legislatures. Its 159 delegates are appointed on standing and special committees for investigation and report to the general conference; and when the recommendation of a committee is adopted favoring the drafting of a uni-



S. R. CHILD

Chairman of the Legislative Committee of the National Commission on Uniform State Laws.

form act upon a given subject the best special talent in the country is enlisted to draft a tentative model act. The tentative act is then submitted to the members and to the country at large for criticism and amendment; and, if it does not meet with general satisfaction, is redrafted and resubmitted, until a final draft is at length produced that meets the general requirements of a model uniform act.

Demonstration of the model character and general popularity of the uniform acts thus far produced is shown by the following facts:

1. Every uniform act which the National Commissioners have produced has been sustained by the highest court; there being as high as 750 judicial citations of the first act approved by the

commissioners, the Negotiable Instruments Act.

2. Every uniform act adopted has proved satisfactory to the people of the State adopting it; there being to date no State in which there has developed any attempt or sentiment favorable to repeal.

Success of the Uniform Commercial Acts

Because of the increasing tendency of the great bulk of the commercial and financial transactions of the country to become interstate in character, the first energies of the commissioners were devoted to uniform commercial acts. Particularly, laws were sought that would lay a thorough foundation for commercial paper that would pass current throughout the country for the handling of staple agricultural commodities and general merchandise. Such uniform commercial acts were necessary to secure an ample flow of capital at reasonable rates in developing the great East-and-West and North-and-South channels of country-wide commerce. The agricultural and mining developments of the West and South, and the manufacturing, banking and mercantile interests of the East, were mutually concerned.

The first model act was the Uniform Negotiable Instruments Act, which lays a common foundation among the States for bank checks, notes, and drafts, and the various forms of commercial paper. This act is in effect a codification of the ancient "Law Merchant" which has governed international commerce for centuries. It has now been adopted by all but five of the forty-eight States, and by Alaska, Hawaii, the Philippines and District of Columbia. The benefits are not only in regard to domestic commerce, but extend to the commerce of these States with South America and Europe.

The second model commercial act was the Uniform Warehouse Receipts Act, which has been adopted by thirty-two States, Alaska, the Philippines and District of Columbia. Its purpose is to secure country-wide command of banking capital at minimum rates for financing such warehouse products as grain, cotton, sugar, rice, coffee, tea, liquors, to-

bacco, provisions, pig iron and machinery.

When the cotton crisis came at the opening of the present European war, and the cry went up from some of the Southern cotton States that they could get no capital to carry their crops the failure of a number of these States to adopt the necessary uniform commercial acts to enlist the flow of outside capital, stood out in sharp contrast.

The financial condition was specially acute in Georgia, Mississippi and Texas, which to date are the only States in the Union that have adopted none of the uniform acts. Alabama, which prior to the war, was similarly situated got busy through the initiative of the cotton growers and merchants and adopted four of the uniform acts. South Carolina, in order to get on a commercial footing, was compelled to pass its first act over the veto of Governor Blease.

Besides the Negotiable Instruments and Warehouse Receipts Acts, the Uniform Commercial Acts include: The Bills of Lading Act, adopted by ten States; the Stock Transfer Act, adopted by nine States, and the Sales Act, adopted by ten States. To this recently the commissioners have added a Uniform Partnership Act. Of a business character, but different from the above as not relating exclusively to commerce, the Uniform Acknowledgments Act has been adopted by fifteen States; the Wills-Executed-Out-of-State Act, by ten States; and the business program also includes Uniform Workmen's Compensation Act, the Pure Food and Drug Act, the Cold Storage Act, and Uniform Land Registration Act.

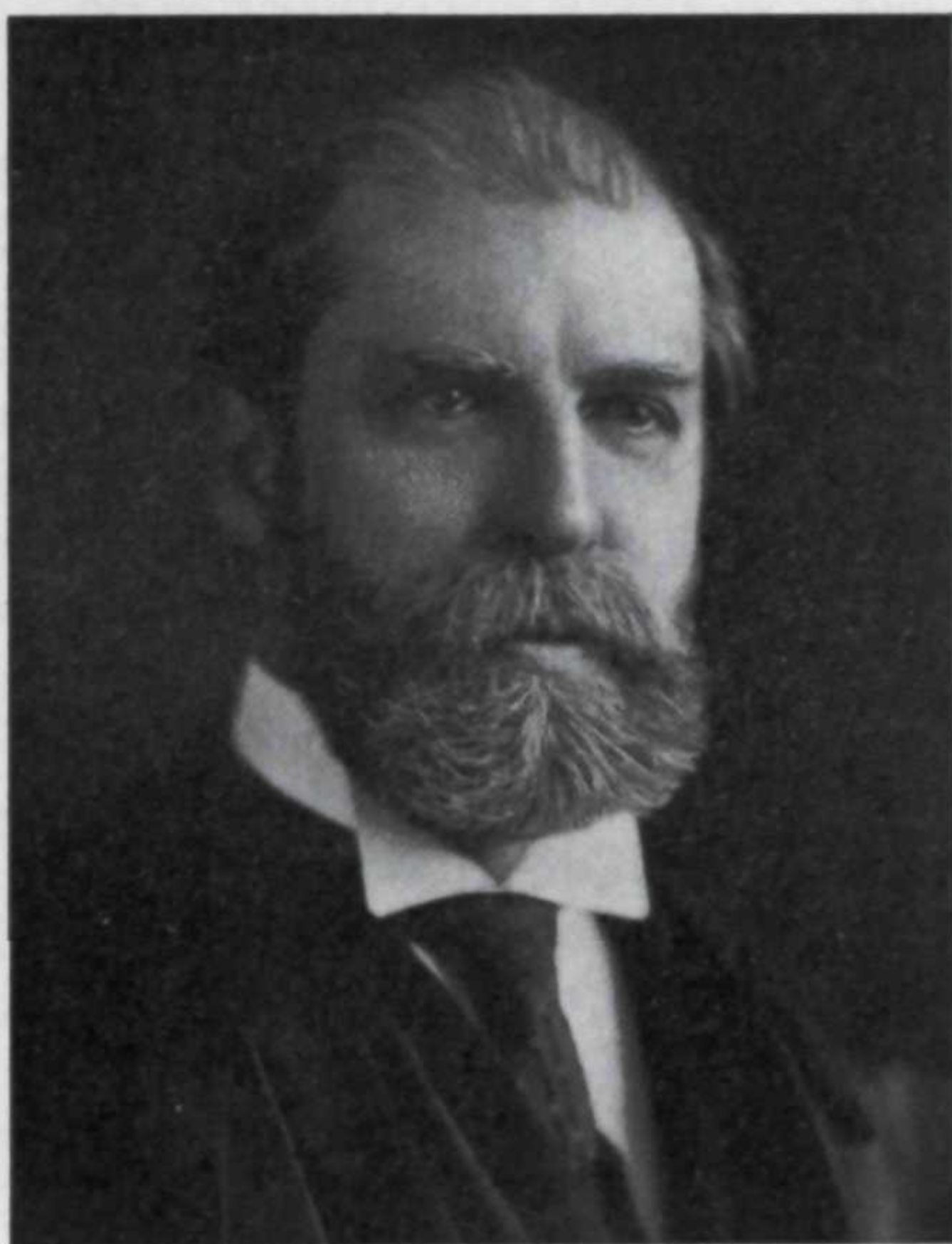
The form of the latter is the Torrens System of Land Registration, now adopted by fourteen States. Agricultural States desiring to avail themselves of the benefits of the Rural Credits Act now pending before Congress find that they will be compelled to adopt the Torrens Act as a basis for commanding capital on farm loans at the low rates anticipated. As a result, Virginia and South Carolina have adopted the Torrens Act at their present sessions.

What Befalls Backward States

The last annual report of the Comptroller of the Currency is a singular demonstration (though the cause is not mentioned), of financial conditions which prevail in States which fail to get

in touch with the banking resources and investment centers of the country through the instrumentality of the Uniform Commercial Acts. For example, in Texas—which has adopted none of the Uniform Acts—168 national banks admit charging 12 per cent up to 100 per cent upon part of their loans, and 317 banks admit an average of 10 per cent or over upon all their loans.

The average short time loan to Texas farmers on personal security is reported by the Department of Agriculture at



HON. CHARLES E. HUGHES

A strong advocate of the Uniform Warehouse Receipts Act.

12.2 per cent., and for Oklahoma which has the highest average farm rate reported, it is 15.6 per cent. as compared with 8.8 per cent. in the neighboring State of Kansas.

Under the Warehouse Receipts Act in the spring wheat section of the Upper Mississippi Valley, upwards of 200,000,000 bushels of Minnesota, Dakota and Northern Iowa and Nebraska wheat is carried by Minnesota elevators and millers on warehouse receipts at as low as 3 per cent. to 5 per cent., and easily commands Chicago and New York bank funds at those rates.

In glancing over the tables of sensationally high interest rates submitted to the Congressional banking committees by Comptroller Williams, one is impressed with the fact that 80 per cent. of the national banks which admit "charging an average of 10 per cent. per annum or more on all of their loans and

discounts" are located in the seventeen States which have failed to adopt the Warehouse Receipts Act to enlist a country-wide banking basis for their commercial paper.

Decision by Justice Hughes

Perhaps no more appropriate statements by way of concluding this brief summary could be cited than the Supreme Court decision of the present term, delivered by Justice Hughes, January 10, 1916, upholding the Warehouse Receipts Act in recognition of the principle of uniformity; and a further excerpt from the address delivered by Justice Hughes before the New York Bar Association January 14, 1916.

In the Supreme Court case Justice Hughes overrules the lower court, and turns over the cotton held under the Uniform Warehouse Receipts Act to the Commercial National Bank of New Orleans, appellant, in recognition of the following principle:

"The principle of the Uniform Act should have recognition to the exclusion of any inconsistent doctrine which may previously have obtained in any of the States enacting it; and in this view we deem it to be clear that in the circumstances disclosed the Commercial Bank took title to the warehouse receipts and to the cotton in question."

There could scarcely be a more decisive and sweeping victory for the principle of the Uniform Acts, than this decision of the highest court of the land in setting aside "all inconsistent doctrine which may previously have obtained in any of the States enacting it."

In his address before the New York Bar Association, January 14, just passed, Justice Hughes gives further evidence of his profound conviction of the value of the Uniform Acts thus far adopted, and of the necessity of far greater developments in this direction. He says:

"Progress very gratifying has been made toward unifying our commercial law by the enactment of Uniform Acts in many States relating to negotiable instruments, warehouse receipts, bills of lading and sales. But it should do far more than has been done in promoting agreement, rather than diversity, inasmuch as our people are to a very great extent inspired by the same ideals."

War Values and Financial Fetishes

By ARCHER WALL DOUGLAS

RECENTLY I endeavored to show that the quantitative theory of money was a mere economic fetish, as it is not in accordance with facts. It seeks to establish as a fundamental basis an intimate relation between the amount of gold in existence and the price of commodities, though such apparent connection is at best only an occasional coincidence. Gold or any other form of money as a medium of exchange is merely a means and not an end. It occupies the same relation to commercial activity that chisels, saws, bricks and stone do to building. Building cannot well proceed without these necessary factors, but no amount of them in being will of itself produce activity in building. It is expansion in credit, and not money in circulation, that produces constructive prosperity, just as contraction in credit brings depression. Most potent of all demand, both in initiating and sustaining commercial activities, is the immediate and dominant factor in advancing the price of commodities. The story of the past eighteen months clearly demonstrates the truth of these statements. I give below some figures of things financial from the beginning of the European war to January 1, 1916:

Total Money in Circulation in the United States

1914	
August 1st	\$3,367,368,930.00
October 1st	3,694,748,196.00
December 1st	3,630,218,232.00

1915	
January 1st	\$3,545,166,116.00
April 1st	3,484,478,354.00
July 1st	3,585,140,626.00
October 1st	3,730,304,758.00
December 1st	3,859,060,981.00

Circulation Per Capita

1914	
August 1st	\$33.96
October 1st	37.15
December 1st	36.40

1915	
January 1st	\$35.50
April 1st	34.74
July 1st	35.59
October 1st	36.88
December 1st	38.04

It will be seen that during the period named total circulation increased about 14 per cent and circulation per capita about 7 per cent. As will be shown later, this bears but small proportion to the startling and entirely unprecedented advances in the prices of many commodities.

Prices and Inflated Currency

Another delusion—in fact, generally accepted as a maxim—is that the high prices in our civil war from 1862 to 1866 were the result of the great inflation in money in circulation, which increased from \$334,000,000 in 1862 to \$714,000,000 in 1865. In truth, what happened then is happening now, in the shape of a sudden and abnormal demand which so long as the war lasted, outstripped the possibilities of production. In 1866 the general level of prices began to fall, and with slight and passing flare-ups in 1873 and 1879, continued steadily declining until 1896.

The total money in circulation in 1865 ran down in the succeeding years from 5 to 7½ per cent less up to 1871, when it began steadily to increase, until 1894 it was more than twice as great as in 1865, and yet prices in 1894 were far below those of 1865. Likewise the circulation per capita, which in 1865 was 20.58, stood at 24.56 in 1896. The real effect of depreciated currency is not so much in its quantity as in its lack of quality. The fear of inflation as a sudden ending to our present prosperity does not find any basis in an intelligent analysis of the situation, especially when we see that the only increasing constituents are either gold or else Federal Reserve notes, the representatives of actual material wealth. The other factors of importance, silver coin, silver certificates, United States Treasury notes (greenbacks) and National Bank notes, fluctuate in amount from time to time, but at the end of a term of years vary but little. It is significant of the strength and solidity of the present currency system that gold, whether in the shape of coin or certificates, and Federal Reserve notes constitute more than one-half of the total circulation and are in steadily increasing proportion.

Bank Clearances

Another widespread delusion is that bank clearances are good indexes of the business activities of the country. They are nothing of the kind, save only in an approximate degree. They are partial, since they only tell of the transactions of a comparatively small number of cities.

They also have largely the sins of both omission and commission. They tell of much that are mere paper transactions such as Wall street speculations, and fail to tell of much more that is of real moment. Here is their story:

1914	
August	\$14,496,385,580.00
October	10,027,042,153.00
December	11,081,715,709.00
1915	
January	\$12,644,577,511.00
April	13,842,660,705.00
May	15,008,467,265.00
July	14,117,408,790.00
October	15,759,725,270.00
November	20,144,355,592.00
December	19,382,510,816.00
1916	
March	\$18,235,677,037.00

The munitions war orders from abroad did not begin to take effect until some time after the war commenced, and for a long time their effect was largely local and in that section where they made the greatest impression on bank clearings. The commercial business of the country did not really get well started until August, 1915, when the harvests were assured and the general spirit of constructive thought and optimism had supplanted the apprehension and depression caused by the European war. Since then commercial activity in all sections of the country has been in steadily increasing volume until now the tide is running full in a stream which finds most inadequate expression in the bank clearings, which have been almost stationary from November, 1915, to March, 1916.

Deposits and Loans

We shall find a much truer reflection of business movements in the story of the deposits and the loans and discounts of the National banks. It is true that in part they reflect Wall Street borrowings for speculative purposes only and it is also true that they are only a part of the complete financial story, but they are still most indicative of commercial happenings. Bank deposits have no relation to business energies unless they form the basis for actual loans and discounts. It is one of the significant happenings of times of depression that bank deposits pile up because no use is found for them in a time of general caution and apprehension and also of contracted credits.

1914	
July	\$6,236,420,050.00
October	6,179,871,121.00
December	6,346,362,250.00

1915	
March	\$6,348,890,000.00
June	6,611,281,000.00
September	6,762,182,000.00
December	7,641,259,000.00

National Bank Loans and Discounts

1914	
July	\$6,430,069,214.00
October	6,316,478,470.00
December	6,347,636,510.00

1915	
March	\$6,499,965,000.00
June	6,659,971,000.00
September	6,756,680,000.00
December	7,357,732,000.00

These figures tell the story of an abundance of money at all times and usually at comparatively low rates, but of a chill on credit that made borrowing difficult until after the early spring of 1915, when the great expansion of credit came, which made possible the renewal of those development and constructive enterprises which are the earmarks of genuine prosperity.

Compelling Causes

The fear of an undue amount of money in circulation is founded largely on the great excess of exports over imports and the possibilities—somewhat remote—of the abuse of Federal Reserve notes facilities. The slowly hardening rates of money with the certainty that they will go higher in the summer and fall is the best evidence that the money available for commercial needs is apt to be under rather than above due proportional requirements.

But all the figures of finance, of circulation, bank deposits, bank clearings and loans and deposits fail alike either to account for or explain the unprecedented rise in the prices of most commodities, especially in the metal lines. There are usually only two compelling causes for rising prices; demand or the scarcity of the articles in question. In this instance the dominant reason was a demand so sudden, so insatiable and so altogether abnormal, under way. Its initial effect was largely local and not until the revival of domestic business did its far-reaching influence make itself felt in the home market by devoting to foreign wants much of that material which was needed for domestic uses. Foodstuffs were among the earliest commodities affected, as our exports of grains, more especially wheat, increased rapidly. The figures below tell the story: Wheat rose from 88 cents per bushel in August,

1914, to \$1.53 in January, 1915. Corn for many months past has hovered around 70 to 76 cents per bushel, a higher continuous level than it had previously attained for years.

It is common knowledge in the grain pit that the demand from abroad alone maintains wheat at its present level, despite record-breaking crops in this country and Canada. If there was any inflation in our currency, or if there was any real connection between the quantity of money in circulation and the price of commodities, then the prices of commodities would all be affected alike. If, on the other hand, the natural laws of supply and demand are the determining cause of all prices, then the price of each article will be affected in proportion to its own peculiar conditions. That this is the true state of the case will be readily seen from the following figures. The number of hogs in this country has been increasing of late, owing to the gradual control of hog cholera and the enormous amount of cheap food for them produced last year. They sold at \$8.10 per 100 pounds in Chicago in August, 1914, and at \$6.02 in December, 1915. Cattle on the hoof in Chicago brought \$9.25 in August, 1914, and \$9.75 in December, 1915. Fresh eggs fluctuated according to the season, as they always do. Here are the figures for Saint Louis:

August, 1914	19	cents per dozen
January, 1915	26	" " "
July, 1915	15½	" " "
December, 1915	29½	" " "

Foodstuffs that we import were affected principally by higher ocean freight rates and the general sympathetic effect which in an advancing market includes even neutral commodities in its rise, unrelated though they be to the general cause at issue. Rio coffee No. 7 in New York was 7½ cents per pound in August, 1914, and yet only 7⅞ cents in December, 1915. Japanese tea in New York, on the other hand, rose from 18 cents per pound to 23 cents in the same period. As against this, standard granulated sugar in New York in September selling at 6.86 per pound, was 1 cent per pound higher than in December, 1915, when it brought 5.83, despite the cutting off of the supply of the great European sugar beet countries. Cotton felt the impulse of a yield 25 per cent less than the preceding year and rose from 6 cents per pound in New Orleans in August to 11¼ cents in De-

cember, 1915. Not so with the price of metals, for they were one and all dominated by a demand that seemed to know no bounds. In the period August, 1914, to December, 1915, ingot copper rose from 12.68 to 20.37 per pound or 60 per cent; pig lead from 3.73 to 5.26 per pound, or 40 per cent; spelter from 5.63 per pound to 16.91 or 200 per cent; Bessemer pig iron from \$14.00 per ton to \$19.02 or 36 per cent. How apparently insatiable is the demand that is causing these advances may be judged from the figures of production in this country given below in the metal lines and yet which make no impression upon the constantly appreciating prices. Never before in the history of the country have the manufacturers in the metal lines been so far behind on their orders.

Production

Iron Ore

1914	41,439,761 tons
1915	55,000,000 tons

Ingot Copper, Smelter and Mine Production

1914	1,150,137,192 pounds
1915	1,365,500,000 pounds

(1915 is a record year in copper production)

Lead

1914	512,794 tons
1915	516,682 tons

(Both 1914 and 1915 were record years in lead production. Prior to 1914 the largest production—411,878 tons—was in 1913.)

Spelter

1914	353,049 tons
1915	490,000 tons

(Both 1914 and 1915 were record years in spelter production. Prior to 1914 the largest output was 346,676 tons in 1913.)

Other Examples

In grains it is the same story, for the combined grain output in this country exceeded that of any previous year. This is especially true of wheat, which totalled one billion bushels, and of oats, which was one and one-half billion bushels. These advances continued steadily throughout the winter and early spring, and the end does not appear to be in sight. An impartial consideration of these facts should free our minds from that antiquated superstition of the quantitative theory of money, and the bogey of the danger of inflation in our currency so far as our country is concerned.

But they should likewise bring clearly to our realization the knowledge that the present high level of prices in all lines both of agriculture and in industrial life, depends entirely upon the continuation of the war. That with the ending of the war there must inevitably ensue a complete and far-reaching readjustment.

Return Visits to the American Republics

Pan American Financial Conference Continues to Produce Tangible Results

By ROBERT H. PATCHIN, Secretary of the Latin-American Return Visit Committee

FURTHER to promote the cause of closer and mutually helpful financial and commercial relationships between the United States and the Latin American republics, four parties of American business men have completed or are engaged in visits to Argentina, Central America, Uruguay, and the West Coast of South America and several more will follow. It will be remembered that in the enthusiastic closing hours of the Pan American Financial Conference, the delegates of the Latin American governments unanimously adopted a resolution inviting the United States banks, industrial and commercial interests represented in the Conference to visit the various sister republics. The Hon. W. G. McAdoo, Secretary of the Treasury, after the adjournment of the Conference, appointed the Latin American Return Visit Committee, whose headquarters are at 64 Stone Street, New York City, to organize parties to visit groups of countries or individual countries accordingly.

The Central American Visiting Party of six left New Orleans on January 29th and visited in turn Panama, Costa Rica, Nicaragua, Honduras, Salvador and Guatemala. The trip was made, in part, on the cruiser "Cleveland," and it was due to the cooperation of the Navy Department that it was possible to accomplish such extensive travel during the nine weeks and for the party to observe to such a great extent the commercial and industrial conditions in these six republics, the undeveloped resources of which excite the admiration of the world, and where the United States already enjoys a larger trade than any other nation or group of nations. In each republic, the party was greeted and officially entertained. The results of its observations are now being formulated in a report to be rendered to the Secretary of the Treasury.

A second party consisting of seven members was that destined for Uruguay. It was organized largely through the exertions of the chairman of the Permanent Committee on Uruguay, Mr. Harry A. Wheeler, former president of the Chamber of Commerce of the United

States. This party spent some time in Uruguay and is expected, like the other parties, to render to the Secretary of the Treasury a report which will be useful in promoting the general purposes of the Pan American Financial Conference.

A third party of three is now following

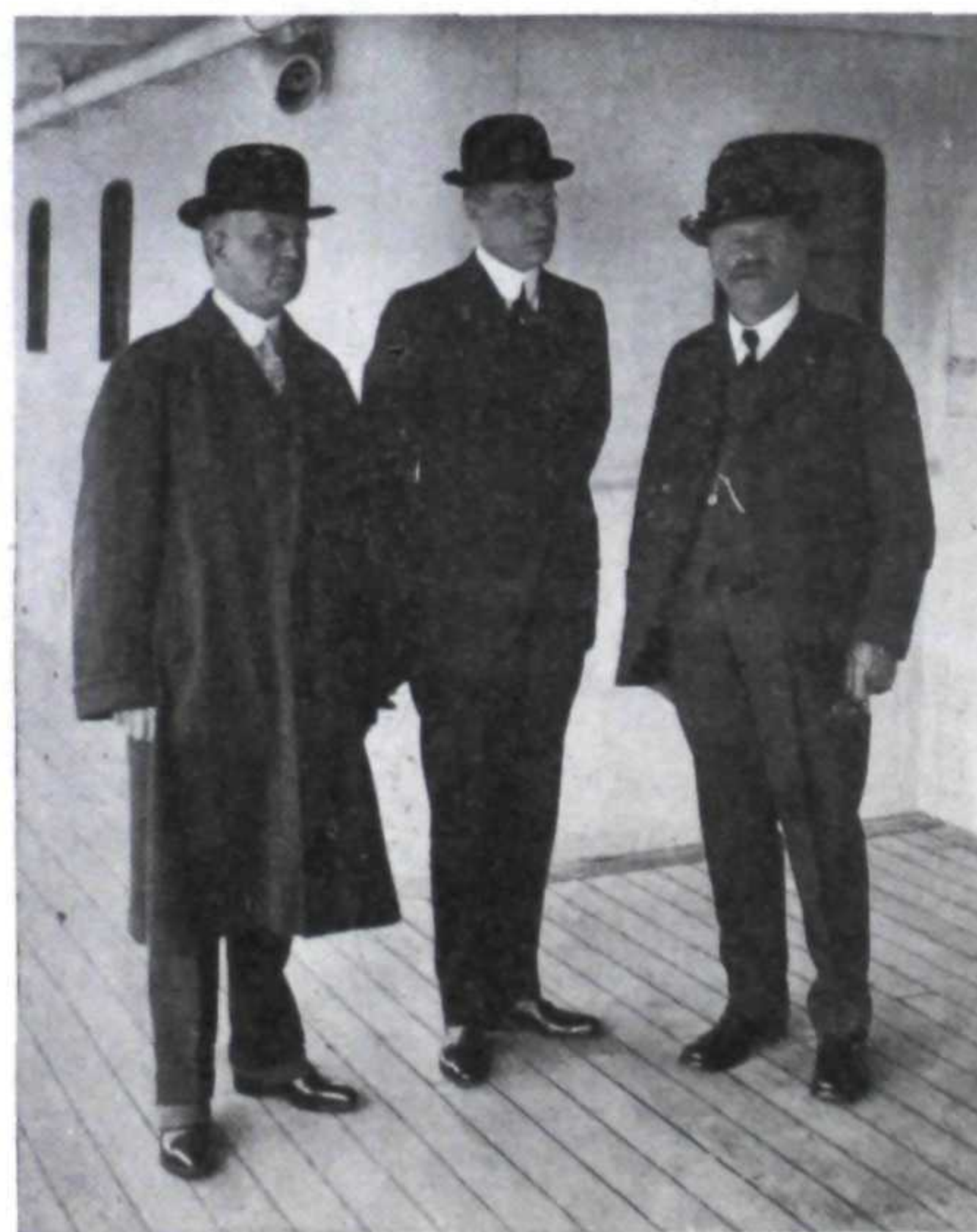


FINANCIAL AND COMMERCIAL COMMITTEE
VISITING CENTRAL AMERICA

Left to Right—Standing: Ernest Ling, A. A. Biddle, John Clausen, J. P. Ripley, Thomas J. Walker.
Seated: Lamar C. Quintero.

an interesting itinerary through the West Coast republics of Peru, Bolivia and Chile.

This party sailed on the S.S. "Metapan" from New York on April 15th, and while in Peru will have associated with



THE WEST COAST VISITING PARTY

Left to Right: Ernest H. Wands, A. W. McLellan, and O. M. Clark

them Mr. Montavon, Commercial Attache of the U. S. Legation at Lima, and while in Bolivia and Chile will be joined by Mr. Havens, Commercial Attache of the U. S. Embassy at Santiago de Chile.

On April 29th, a fourth party sailed from New York on the S.S. "Vauban" due to arrive in Buenos Aires May 22nd, where they will be joined by Dr. Albert Hale, the Commercial Attache of the American Embassy. The Department of Commerce responded with characteristic promptitude to the Latin American Return Visit Committee's suggestion that the Commercial Attaches cooperate with these parties during their stay in Latin American countries.

Nothing could be more explicit than the Return Visit Committee's desire to obtain the participation of highly representative business men and to remove from the parties any hint of specific commercial purpose or of a one-sided desire to promote sales of American products rather than to widen the opportunity for placing Latin American products in the United States, it being realized from the beginning that the development of trade with Latin America must rest upon a fair exchange of values.

The assistance of more than one hundred commercial and industrial organizations throughout the United States was sought in the organization of these parties and an extensive correspondence carried on not only with the members of Permanent Group Committees appointed after the Pan American Financial Conference, by the Secretary of the Treasury, for each of the Latin American countries, but with many other individuals familiar with relations between the United States and their neighbors.

The date for the sailing of the fifth party, to visit Brazil, has been postponed in order to assure the participation of gentlemen who will be fully qualified to work for the improvement of commercial relations with that country. It is expected that the party will leave late in June or early in July, and the trips to Colombia, Cuba, the Dominican Republic, Ecuador, Haiti, Santo Domingo, and Venezuela will be undertaken at dates yet to be fixed.

What Can We Learn from the British in China?

By CHARLES YATES

ALL travelers in the Orient who are not merely sightseers know that "the Club," like all similar English institutions, absolutely excludes everyone directly engaged "in trade." But in spite of this qualification of eligibility, it is a vital fact that the real European owners or managers of all commercial enterprises in the Far East are invariably active members of the club. Such membership, furthermore, virtually constitutes the first step towards a membership in the "inner chamber of commerce" which controls all existing and potential trade of its environs.

Of course, no true Britisher would have the temerity to admit the truth of such statements about his club. But be that as it may, the importance of this social phase of the commerce of China is worthy of serious consideration, although it is rarely recognized by the average business man of America.

"In the Orient do business as the Orientals do," is not a strikingly original statement. It is practically an instinct in America to do business as Americans do. So much so in fact that it is apparently a phase of the American businessman's brains, which, unlike that of his British rival, has not had sufficient exercise to acquire the needed flexibility. While American business methods may be the best in the world the Oriental may not, or rather does not, recognize this fact. Naturally he is inclined to believe that his manner of conducting business is equal to or better than American methods.

On the surface, the British do business in the Orient by British methods. That is, they do the British side of business and accounting by "home" methods. In reality, their business with the Orientals is done to suit Oriental ways. In most

cases, when an American gets a chance glimpse of the inner workings of British-Oriental trade he looks upon its operations as another mark of British conservatism and stupidity, of which he assures himself he can take advantage. And so he could, if the Oriental was not apparently as conservative and stupid as the Englishman was thought to be.

The Oriental the Best Trader

The British, likewise, recognize that the Oriental trader is the best trader in

pradore" or "Number One" in the back office, on the wharf, or in the shop, controls the real business.

It is well known that a "Compradore" is always the cashier of every European commercial enterprise in China and even pays the salaries of the European employees. But that the Compradore's functions and those of similarly related Chinese partners, also practically cover and control all connections with the Oriental customers or laborers, seems to have been entirely overlooked or its real meaning ignored by American business-

men. To make a broad generalization from a more or less limited local study, the statement is ventured that the amount of foreign goods directly distributed to retail trade by Europeans, or even indirectly with actual knowledge of who is the real Oriental buyer would not amount to five per cent of the total foreign trade of China



CHINESE COMPRADORES AND THEIR ENGLISH ASSOCIATES
In China the Compradores are said to control the real business of foreign commercial houses

the Orient and they act accordingly. In fact, it is no misstatement to say that the British do practically every item of their Oriental selling and manufacturing through Oriental individuals, who keep their British principals in nearly absolute ignorance of methods and customers.

The apparent concealment of this phase of British commerce in China may exist for ordinary business reasons and not for the purpose of misleading foreign rivals. It may be only stupidity on the part of Americans that they so frequently overlook or minimize the importance of this controlling element in British business methods in the Orient. In either case, the result is the same. The successful Briton benefits by the ignorance of his foreign rivals as to his direct Oriental connections, and at the same time avoids the embarrassment of having the world know that, although he occupies the front office, the Chinese "Com-

since its commencement. Furthermore, the amount of manufacturing, building, or any other thing requiring labor, without the employment of Chinese "Number One" as a sub-contractor, would not equal one per cent of the total foreign supervised work in China.

Tendency of Foreign Commerce in China

Ultimately the need for either European or American business men in the Orient will be greatly lessened. This tendency of the evolution of Far Eastern business is already plainly evident in both Hong Kong and Singapore. The consul of a great European power at one of these ports has even gone so far as to state to me that he fixed fifty years as the limit of business usefulness of the European in China. In another fifty years, however, this consul thought the Chinese would practically own or control the Chinese end of all business.

The House Passes the Shipping Bill

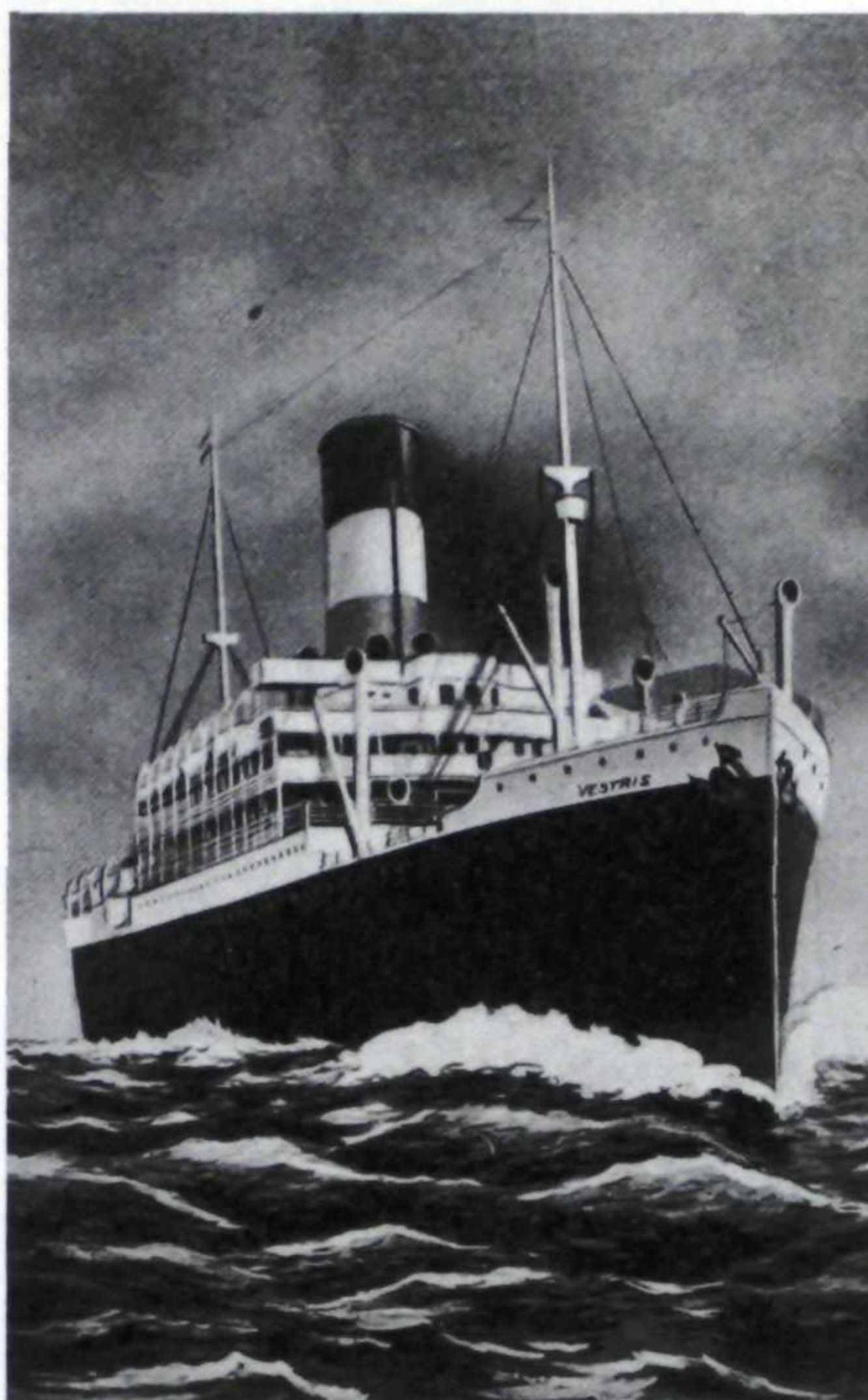
Passages from Debate in House of Representatives

THE following passages from the debate on the Shipping Bill in the House of Representatives show some of the lines of cleavage on this radical measure of the Administration. It remains for the Senate to defeat it or make it law.

MR. CHAMP CLARK, of Missouri: * * * I will tell the reasons which influenced me in being for this bill and it may do some of you some good. I want to see a merchant marine. So do we all. When this bill was first introduced in the last Congress I was against it. I kept studying about it. There are only three ways to get a merchant marine, as I stated a while ago, and repeat now: Through private enterprise, which has failed; a subsidy, which Congress will not agree to; or this bill, or something like it, and I made up my mind that rather than have no merchant marine at all I would support a bill that I had some doubt about as to the theory on which it was built. Here is the situation in a nutshell: We all know it. There is no use to beat about the bush. We spend \$300,000,000 a year for ocean freight, all paid to foreigners nearly—to foreign ship companies. I am in favor of paying that money to American ships under the American flag, giving employment to Americans on the high seas and American shipbuilders on shore. The way we have been proceeding about ocean transportation for half a century is sheer idiocy.

The history of the American marine is a story of mingled glory and shame—glory in the earlier years of the Republic; shame in these latter days. * * * Once upon a time there was a great

famine in India. Men, women and children were dying by the tens of thousands. Congress * * * voted a million dollars to buy American foodstuffs to send to those starving and dying people. * * * We discovered to our



LAMPORT & HOLT LINE STEAMER VESTRIS
Captured and sunk. Serious loss in trade connections with South America

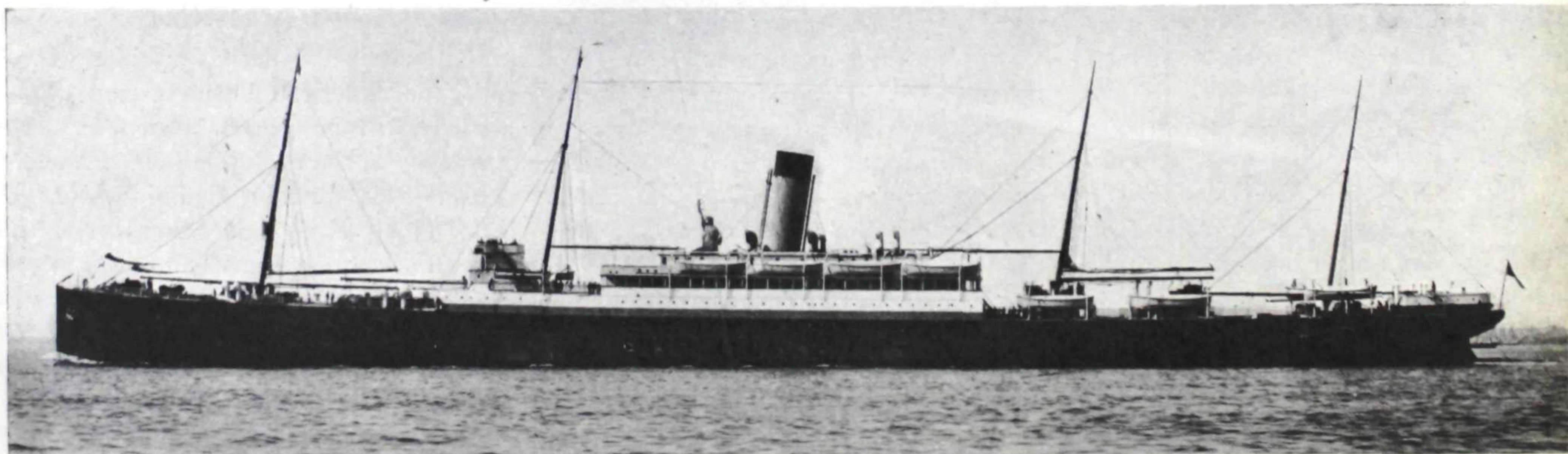
ineffable disgust and shame that we could find no American ship to send our foodstuffs in and were compelled to hire a British ship in which to send our foodstuffs to the suffering subjects of Great Britain—which brought a touch of deep humiliation to every American citizen

worth his salt. Query: Do we propose to go on in that foolish way forever? If not, vote for this bill as a dernier ressort—as the only way to change our course in this regard for the better. * * * A merchant marine owned by the Government would be a regulator of ocean rates and prevent extortion. For these reasons and others which I have not time to mention, I am most heartily in favor of building up and resuscitating our merchant marine, and to that end I am for this bill.

* * *

MR. ROWE, of New York: * * * Now, the people do not want this. We have had frequent reference from the chairman of the Merchant Marine Committee and from many others to the vote taken by the Chamber of Commerce of the United States. I would like to call attention to that vote which contains some very interesting figures. This, by the way, is all within the minutes taken before our committee and is contained in the minutes. Take the State of New York, for instance, in the matter of Government ownership and Government operation. There is 1 vote for it and 106 votes against it. Take in the matter of Government ownership, but lease to private corporations, 1 vote for it and 108 votes against it. Take Missouri, the State of the chairman of the Merchant Marine Committee—7 votes for Government ownership and Government operation and 26 votes against it. * * *

Take the State of our President—the State of New Jersey—and in that State Government ownership and operation did not receive a single vote. And I



WHITE STAR S. S. CYMRIC, SUNK OFF THE IRISH COAST
One of the Largest Passenger and Freight Carriers lost to Transatlantic trade

would ask every man in this House to look at the civic bodies that voted on that matter. Not a single vote in favor of Government ownership and operation. There were 18 votes against it. And on the question of Government ownership but leased to private parties, there was not a single vote in favor, but there were 18 votes against it.

* * *

MR. FORDNEY, of Michigan: * * * If you are willing to pay a subsidy sufficient to offset the difference in the cost of operating a ship under the English flag as compared with the cost of operating an American ship on the high seas, then you can maintain a merchant marine. * * * Are you ready to have our Government pay a subsidy to our ships equal to the subsidy paid by England, Japan, Germany, France or any other country? * *

MR. HARDY, of Texas: Has the gentleman figured out what would be the difference necessary to be paid by a subsidy in order to float 6,000,000 tons of American cargo freight?

MR. FORDNEY, of Michigan: No, but let me say, with all the advantages to English, German, French, Japanese and Belgian ships, France paid last year, in round numbers \$13,500,000 subsidy and England paid nearly \$10,000,000 subsidy and Germany and other countries smaller amounts, and yet some of our people wonder why we do not have an American merchant marine. * * *

MR. MADDEN, of Illinois: Suppose the Government of the United States were to invest the amount of money necessary to buy 6,000,000 tons of shipping to be used in the merchant shipping trade and put them into operation under Government management, and to meet the loss which it is presumed they would make under Government management, how much would the subsidy amount to that would have to be paid out of the Treasury to make up the loss?

MR. FORDNEY, of Michigan: Three to five times what a direct subsidy would amount to paid to private enterprise. There is no question about that.

* * *

MR. BURKE, of Wisconsin: * * * In the shipping bill now under debate there are two primary objects. The first primary purpose is the formation of a naval auxiliary reserve, and the second principal object of the bill is to vest in a board created by the bill proper and plenary authority and power to control, regulate,

and supervise the American merchant marine in its business relations with shippers and competing lines. * * *

According to students of the problem of developing the American merchant marine, there are but two ways left that offer any prospect of building up the American merchant marine. One of those methods is by way of a subsidy, and the other is as proposed in this shipping bill. The proposition of the Government taking the people's money and paying to private parties engaged in American merchant marine in foreign commerce, the differences between the cost of operation and in cost of American built and manned vessels, and foreign built, owned and operated vessels is repugnant to the common sense and conscience of the American people. They will never stand for it, excepting as a last resort * * *

I am aware that there is throughout this country in the minds of investors a disposition to hold in holy horror all attempts of the Government to enter upon enterprises designed for the welfare of the people because such enterprises may invade the province of private enterprise and investment. The history of our country teaches us that whenever there is any great work of a public nature which private enterprise is unable, unwilling, or apprehensive of entering upon, that investors with capital to invest are the first to denounce and condemn the Government for refusing to undertake, perform, and develop the great public enterprise in which capital is afraid to invest.

MR. TOWNER, of Iowa: * * * The effect of this Government entering into

competition directly in the business would likely be to drive every American-owned vessel under a foreign flag. If the Government owned ships operate at less prices than the privately owned ships, the latter would be forced to go where operations are cheapest, and that is confessedly under foreign flags. The impression is sought to be conveyed that the Government will not go further than this bill authorizes. If that be true, the action is unwise, for the addition of merely 50 ships will not materially lessen rates or supply demands. At the same time such action will operate as a discouragement to private investment, and thus injure rather than encourage the building up of an American merchant marine.

* * *

MR. ADAMSON, of Georgia: * * * Now, the only substantial argument they have been able to make against the bill is the universal and abounding prosperity of this country under the Wilson administration, which they say renders this bill unnecessary.

I assure them that the bill provides that the moment it appears to become unnecessary in its operation it shall be automatically discontinued. There will be no trouble about that. Whenever private capital wishes to invest and furnish facilities for foreign commerce, and do it honestly and fairly, at reasonable rates, the necessity will be removed and operation under this bill will cease. This is an emergency measure, necessary because private capital will not serve us on fair terms.

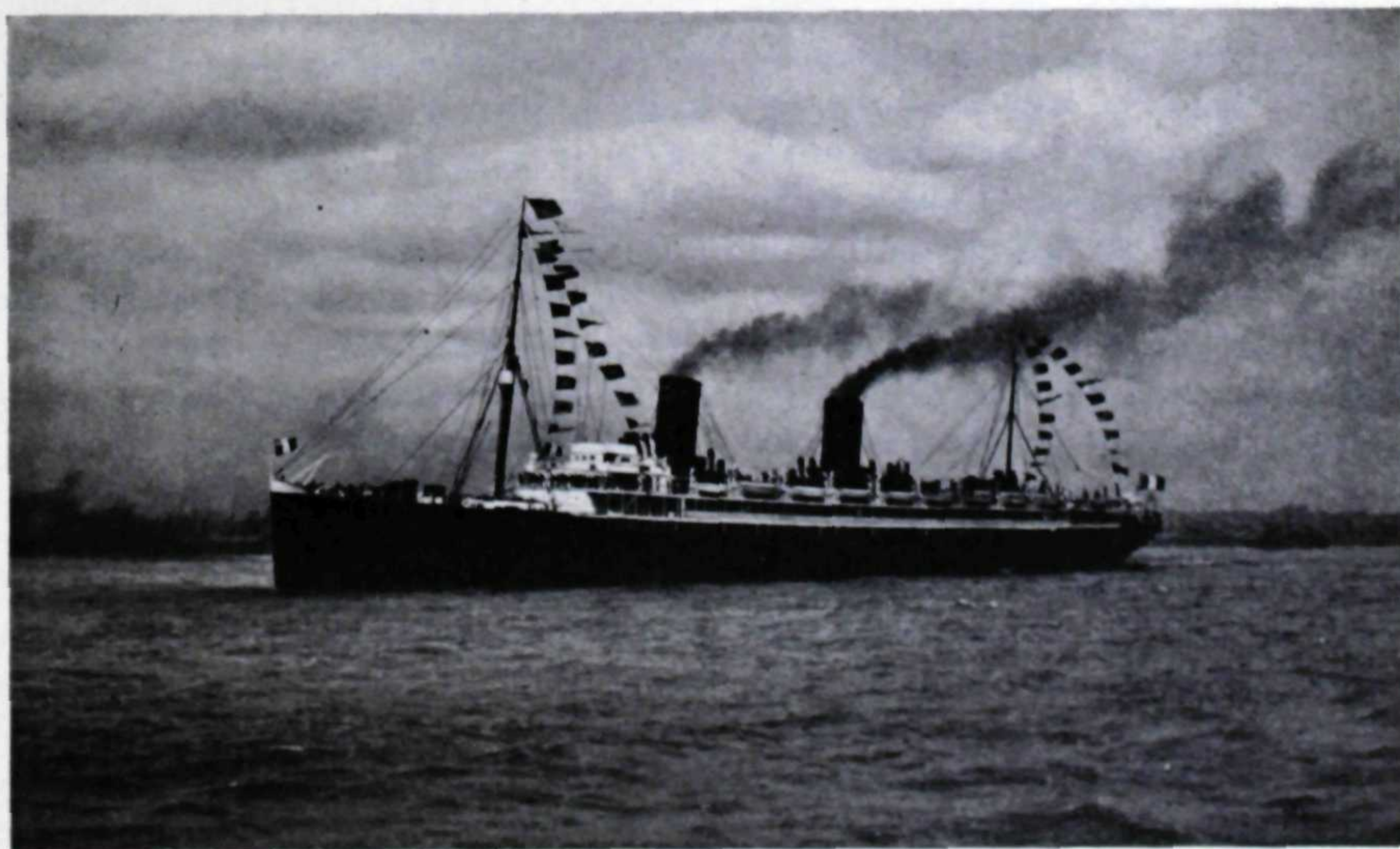


Photo by Byron, N. Y.

FRENCH LINE STEAMER LA PROVENCE

Sunk in the Mediterranean. Another large vessel lost to commerce



BUSINESS MEN BELIEVE IN UNIVERSAL MILITARY TRAINING, PLATTSBURG, 1915

The Economic Value of Military Training

By HENRY C. EMERY, *Former Chairman United States Tariff Board*

POLITICAL economists in the past and a very large class of business men have opposed military preparedness on the grounds of economic cost. The most obvious objection has been the actual money cost on the part of the Government, involving taxation of the people. It is true that wastefulness in military appropriations has given good ground for protest on the part of the opponents of military establishments. If, however, the military establishment makes for greater industrial efficiency the money cost is an investment of capital, not destruction of wealth.

The main argument, however, against the maintenance of a military establishment from the economic point of view, has been the great loss of labor power which is involved in the maintenance of hundreds of thousands of men under arms. To the old-fashioned economist this argument seems conclusive. Even admitting the necessity of an army for national defense, it was none the less supposed to involve a terrible cost in the way of labor power which might otherwise be utilized in the production of wealth.

It is a false assumption, however, to suppose that all the labor power of a country is normally utilized to its full capacity. The quantity of labor available for industry or used in industry is a very elastic quantity. It has been shown in various wars that despite the enlistment of a tenth of the total population, industry is somehow maintained on a level with its output preceding the war. This is due first to the reserve labor, not normally called upon, and second, to war's making use of those who had not

found work in time of peace. It is certainly not true without qualification that every soldier, if not in the army, would be engaged in productive industry.

Any argument as to labor losses may be met by a consideration of the educational effects of military training. The attitude of thoughtful men has changed on this point in recent years. It seems to be agreed that the compulsory military service in Germany has worked very largely in the direction of a compulsory education increasing the efficiency of the population for industrial purposes. Young men are taken at a critical age, taught habits of order, cleanliness, discipline and promptness, knowledge of sanitation and many arts of production; and are instructed, as well in many purely educational lines. They are largely restrained from the excesses to which youth is prone, and are turned back into industry with vigorous bodies, the ability to learn, and the capacity to endure sustained effort in the normal activities of life.

Turning to this country, and without raising the question of the possible political, moral or social arguments for or against a compulsory military system, what would be the economic effects if provision were made for general voluntary service and a large portion of the young men of the country should volunteer? Let us remember also the fact that the great mass of our population do not carry their education beyond the common schools.

Would a period of six months or even a year mean a serious sacrifice on the part of such volunteers, either for themselves or their families, and the equal

sacrifice of an efficient labor supply on the part of the industrial organization? Young men at the age at which such service would be undertaken have not married and assumed family responsibilities. Many of them are simply on the industrial waiting list, not yet skilled or experienced in any particular line of production, frequently waiting for some opportunity to turn up, or moving aimlessly and restlessly from one occupation to another, trying to discover where they best fit into the established business order. Would not a vigorous military training merely take up the slack of idleness which is frequently to be found preceding a young man's entry into the serious walks of life? Every American knows the young man of a certain type who, freed from the restrictions of boyhood and not yet aroused to the responsibilities of manhood, is employing a period of temporary independence in an idleness which is offensive to all but himself. There is a "hoodlum" period with many a youth before he realizes the necessity of making himself economically independent and respectable. Would not a majority of these youths be benefited and better equipped for the assumption of industrial activities if, during this period, they had learned the lessons which come from military service? An absence of orderliness and discipline is commonly recognized as the chief lack in the training of American youth, and is characteristic of the poor as well as the rich. Is not the discipline and training of military service the quickest and most effective method of overcoming this evil?

It has been recently said:

"Spoiled by misguided parents, undisciplined by impotent school teachers, our tendency is to grow up into self-willed men and self-indulgent women. Man-handled by poverty or mollycoddled by wealth, the tendency is everywhere the same: intolerance of authority, contempt for obedience, aversion to laws, indifference to rules, and worship of self."

We need the discipline of military training. But let no one fear that such discipline would change our civilian character or militarize us. Those who fear that we may fall back into "militarism" by merely training ourselves in military discipline have a strange lack of faith in our loyalty to personal liberty and equal rights and individual freedom. But their fears are not justified. On this steep road which has led from Runymede through Gettysburg, we have climbed too high to fall through any mere system of training, either for war or for peace.

In Congress Assembled

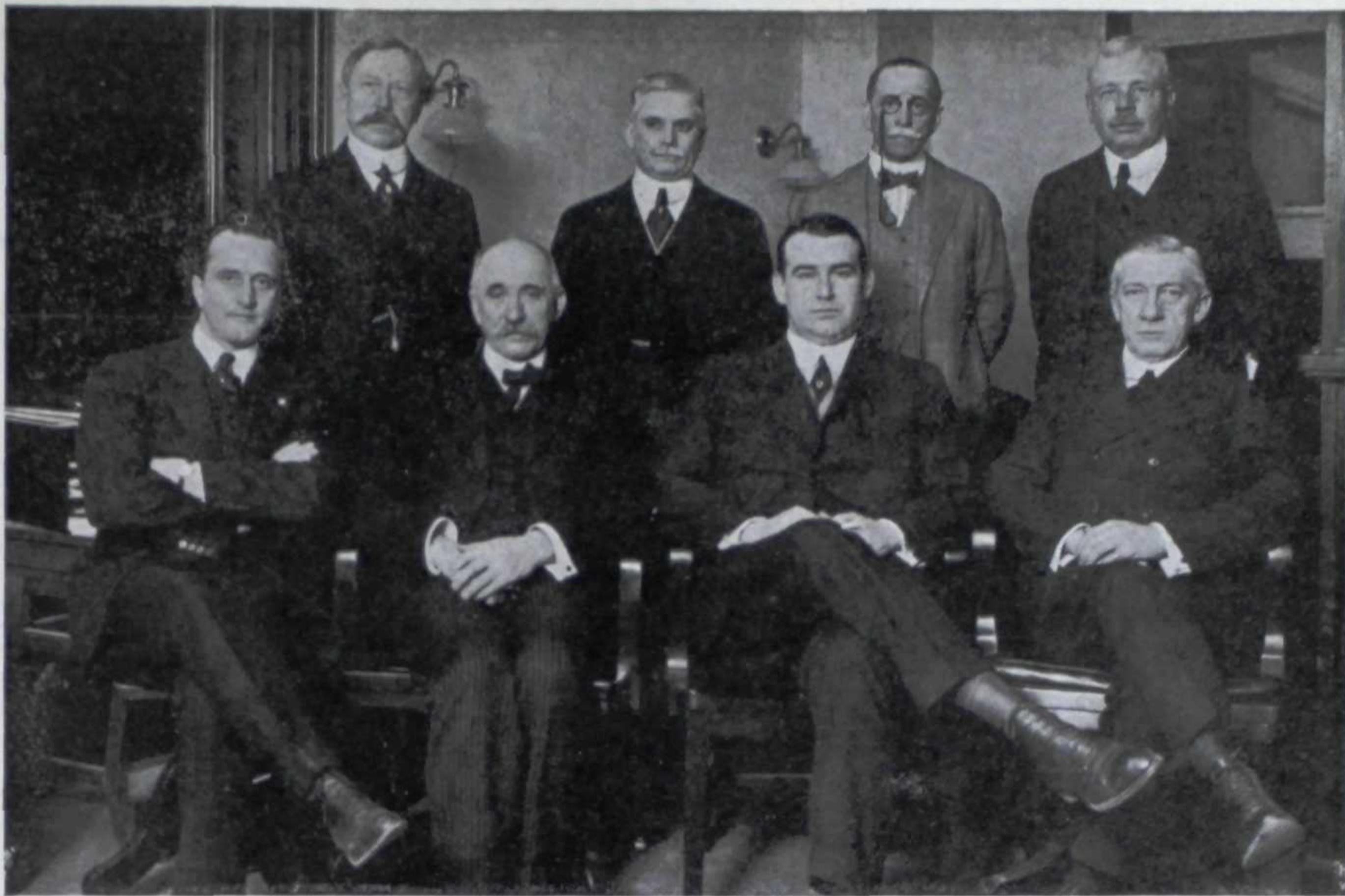
(Continued from page 9.)

Automobiles Traveling Interstate

Because of the power of Congress to regulate interstate commerce, a House Committee on June 2 recommended a bill which will free a person who has registered an automobile in one State or the District of Columbia, and obtained an operator's license, from the necessity of paying fees of any kind in another State. Persons operating automobiles, however, would remain subject to the police regulations regarding speed and the like wherever they happened to be. A similar bill has been introduced in the Senate.

The Naval Bill and Disarmament

In passing the bill providing \$270,000,000 for the Navy, the House has included a provision intended as a step toward elimination of competitive armament among nations. As soon as possible after the close of the European war, the President is authorized to invite all the great Governments to a conference for the double purpose of agreeing upon a plan of arbitration and peaceful settlement of international disputes and of considering disarmament. The United States would have nine delegates qualified "by eminence in the law and by devotion to the cause of peace." Two hundred thousand dollars are placed at the President's disposal for the conference.



WASHINGTON MEETING OF THE COMMITTEE ON NATIONAL DEFENSE, JANUARY 5, 1916

Business Men Willing to Pay for Defense

(Continued from page 5.)

district United States arsenals located in or convenient to the great industrial centers.

The System Beneficial

The principles of this system of munitions production will not only permit the peace time production of munitions at a less cost than under the present system, but will provide an industrial organization that can be at once expanded in time of war to at least one hundred times the peace requirement and at a moderate cost.

In this way not only would the current needs of the army and navy be met by drawing on such a wide range of industry as to prevent any combined profit interest in war supplies, but the immense potential resources of the country would be tapped and fitted, without economic loss, to the maximum demands of a great crisis.

In the opinion of the committee which framed the report which formed the basis of the referendum, such a system is sound insurance against war and aggression. To be peaceful is an ideal democracy. But to be potentially strong for the defense of its ideals should be a cornerstone of policy.

With these fundamental principles in mind, the symmetrical plan advocated by the business men of the country can be appreciated as a whole. It is founded on the broad base of universal rights

entailing universal obligations. Such a plan will entail service in the industrial as well as the military establishment and insure every man, rich or poor, rendering service in the particular field where his training will make him most effective. Some will probably shoulder rifles, others will operate machines, despatch trains, manage communications and finance. All will be familiar with the problem of national defense. Every right to be worth anything, must rest on an obligation fulfilled. On this basis of universal obligation for training and defense is imposed an army adequate for the needs determined by our experts, the General Staff of the Army—or Council of National Defense when established—and a navy which will keep our shores inviolate. To support these two lines of defense it is proposed to organize the entire economic resources of the greatest industrial nation of modern times. Banking, telephone and telegraph, transportation and industry must be viewed as national entity for support in a crisis.

There is another point to be noted about what business men want. It is a complete and definite plan; not dissociated and separate units. They believe that defense is all embracing and should be so regarded. They have consequently made provision for the army and navy both to have the full support, in a very close and intimate way, of the entire economic resources of the nation. And none of the great countries of today has anything to approach the potential capacity of the United States.



With the Organizations



Membership Maintenance and Increase

ANSWERS to Questionnaire No. 2 on the subject of Membership Maintenance and Increase are nearly all in. These are being tabulated as received, and the results are being made ready to be mailed out in answer to specific inquiries on any phase of the general subject.

The tabulation reveals that certain organizations have been growing steadily in membership through a period of years; that others have maintained their membership strength for a like period; that some are slowly and others rapidly diminishing in membership. Why is this? Why is it that at the top of the scale we find an organization with a record for healthy growth and at the bottom one that will seemingly soon cease to exist?

Having due regard to local conditions which may to a considerable extent account for this, we nevertheless look into the influence that methods pursued by the various organizations may have had in maintaining and increasing such membership. It is not purposed to give these answers in full. Space will not admit of that. All that can be done for the present is to give a general outline and call attention to the fact that answers to any of these questions will be sent in answer to inquiries.

We find a number of different methods followed in the building of membership. Some organizations rely entirely upon standing committees, others upon special committees. Some employ solicitors throughout the year on a salary or commission. Some put on campaigns at more or less frequent intervals, others employ professionals to conduct such campaigns. Some combine two or more of all these methods, changing their plans from time to time to conform to varying circumstances. Some treat the maintenance of membership as one problem and its increase as another, and provide separate machinery for each. Most treat them as one and the same problem.

How Committees Work

In going over some 200 answers to

question relating to work of committees on membership, we find no two organizations whose committees appear to operate exactly the same, although there are some features common to nearly all. A membership committee, whether standing or special, that adopted all the features contained in answers to the questionnaire, would first secure from the secretary a set of prospect cards which would be added to from time to time as the secretary discovered new names.

These names of prospects would be obtained from the city directories, business directories, club and trade organization membership lists, advertisements in the daily papers, mercantile agencies and suggestions from those already members. Information concerning these would be obtained as far as possible, and cards prepared containing the name and address of the prospect, his home and business address and telephone, his business and club affiliations and his chief interest outside of business. Space would be left on the card for the names of committeemen to whom the prospect might be assigned, together with space for reasons given by the prospect for not joining the organization, should such reasons be given by him. These cards would be made in triplicate, each of a different color. One of these cards would be given to the committeeman to whom the prospect is assigned, another filed under the name of the committeeman, and the third filed alphabetically.

Assignment of Prospects

At the first meeting of the committee these cards would be assigned to its members. The list of prospects would be read to the committee members, each selecting those whom he thought he could obtain. Those remaining unassigned would be distributed to the members, sometimes in accordance with similarity of interest between the committeeman and prospect, and sometimes on account of accessibility of location.

After the assignment of prospects, each committeeman is furnished with a

list of those assigned to him, and personal letters, over the signature of the president of the organization, are sent to each prospect telling him that he will be called upon, and by whom, and expressing a desire to welcome him into the organization.

The membership committees adopt various methods of calling on prospects. Sometimes the committeemen organize in squads of two or three, or more; sometimes they take with them a member who is not a committeeman, and sometimes they go alone. No matter what plan is adopted, however, each committeeman is expected to see and report upon all prospects assigned to him, and to accept his share of new assignments as rapidly as they are collected.

The membership committee meets with the Board of Directors or Executive Committee at luncheon once a month or oftener and each member makes a report and relates experiences, after which discussion follows, prospect cards are exchanged and new cards assigned.

Paid Solicitors

Answers to the question relating to paid solicitors show that only about one organization in ten has tried this method of getting and holding members. Where it has been tried, the solicitors have been retained on salary or commission, or both, the latter seemingly working out to best advantage. The majority of answers indicated that paid solicitors do not procure satisfactory results except in the very large cities, where the case is reported otherwise.

Replies have been received from 18 organizations that have employed membership solicitors. Nine of these were on salary; four with results more or less beneficial; five with results that were either indifferent or bad. Six organizations have tried the commission plan, and but two of these are satisfied with the results obtained, the others reporting that they would not attempt it again. Three organizations report paying a combination of salary and commission, two with

satisfactory results and one with unsatisfactory.

The eight organizations which report that the employment of paid solicitors has been successful are with but two exceptions in the larger cities. The ten reporting that they have been unsuccessful are with but one exception, in the smaller cities and towns.

Campaigns

Twenty-eight organizations report having conducted successful membership campaigns, organized and directed entirely by themselves. Six of these are typical, although nearly all contain slightly differing features.

In April, 1913, the Norfolk, Virginia, Chamber of Commerce put on a campaign by paid experts which resulted in 1,000 members at \$25 a year for three years. Contracts with these expired in April, 1916, and it was decided to put on a campaign to be organized, directed and conducted by local men. A Campaign Committee was formed under the leadership of a General Chairman. The organization was by Divisions and Teams. There were five Divisions, each having six teams, each team in charge of a Captain. Each Captain appointed a team of ten. This made a working force of three hundred and thirty-six. A publication was issued by the Chamber, telling what it was purposed doing for the city, a publicity man, engaged to edit the official publication, also provided news for the local papers, which they published. A membership dinner was held prior to the campaign, and during its progress meetings were held daily to receive reports

from the various teams. The campaign lasted six days and resulted in 1,050 members at \$25 a year dues. Were the campaign to be conducted over again they say they would have a smaller committee, it having been found that in so large a committee some are sure to be more active than others and that the least active become discouraged and quit.

In February, 1916, the Ottumwa, Iowa, Commercial Club had a membership of 375 and the dues were \$10. They decided to raise the dues to \$20 and to put on a membership campaign conducted by themselves. A Membership Committee Chairman was appointed with full power. A local man was given charge of the publicity. All details were handled by the Secretary. Five or six meetings of the Executive Committee of the Membership Committee were held in outlining the campaign. For three weeks the newspapers ran the publicity without charge. Two preliminary campaign dinners were held, at which members were secured to give their time to membership getting. Noonday luncheons of the workers were held on each campaign day. The campaign took place during the last week in February. At the end of the first day they had 342 members. The second day they raised this to 462. The third day to 575 and the campaign ended with 605 members at \$20 a year. They report that never in the history of the city has public spirit and enthusiasm been up to the high pitch at which it now is.

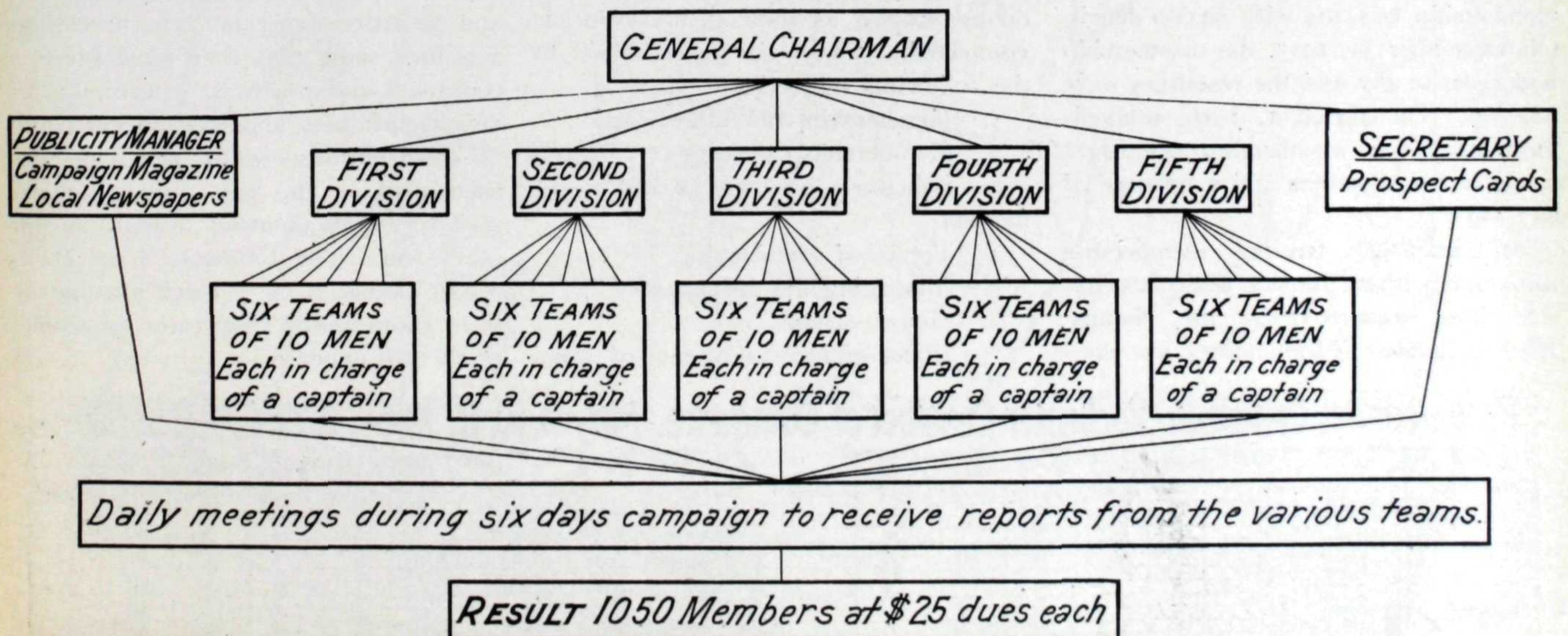
Some Other Successes

The Fall River, Massachusetts, Cham-

ber of Commerce had a membership campaign in September 1915. A Central Committee selected twenty-five Captains, who selected teams of ten men each. The campaign lasted one week, the Captains reporting at noon-day lunch, arranged at the Chamber. A score board made the daily results visible. Literature recounting accomplishments and purposes of the Chamber was circulated beforehand in three lots, to a list of 2000 possibilities. The papers were generous with publicity. They had 500 members at the beginning of the campaign. They added 315. The gross cost was \$265. Another reported gain was increased good fellowship among the 280 members who participated in the campaign.

The Rochester Chamber of Commerce put on a three days' membership campaign on May 9th, 10th and 11th, adopting the idea of preparedness to fit the situation. Two sides were chosen and designated as the Army and Navy, respectively, each side properly officered and consisting of ten companies of ten men each. Four days prior to the opening of the campaign each prospect received a letter from the President of the Chamber. On the evening before the opening the forces gathered at dinner and prospect cards were distributed by odd and even numbers. The next day the forces took the field at 9 o'clock, meeting at lunch to compare returns. The result of the three days' work was 536 new members, of which the Army secured 286 and the Navy 250.

During the summer of 1915 each member of the Paterson, New Jersey, Cham-



ber of Commerce received a letter from the President, asking him to give one day to membership work. This letter was followed by one from the Chairman of the Membership Committee. About 150 affirmative responses were received. Forty were selected from these and asked to report at a luncheon at the Chamber's rooms. Thirty-six were present. They were given several talks on the best methods of securing memberships. Literature on the activities of the Chamber and a list of stock objections and how to meet them were supplied. They were divided into teams of two. They were then given a card list of prospects, carefully prepared in the Secretary's office, to select from. These prospects had already been mailed letters and circular matter acquainting them with the work of the Chamber. The teams were then told to report the next day at the regular weekly luncheon of the Chamber and to hand in cards of all whom they had been unable to secure, with comments as to their reasons for refusing membership. The result next day was 101 new members. The total result at the end of the campaign was 230 new members.

The Secretary of the Great Falls, Montana, Commercial Club writes as follows: "We conduct our campaign annually without outside assistance. These campaigns are organized by the Secretary and the Chairman of the Membership Committee. Committees are appointed for each block, and each committee sees those firms only that are in the block assigned to it. In three days the campaign is over. Prior to March 1st, 1915, when the present Secretary took office the membership was 104 with \$2,000 deficit. On December 31, 1915, the membership had risen to 467 and the resources were \$12,000. On March 1, 1916, immediately after our membership campaign, we have 806 members and a revenue of \$17,000."

An intensive ten-day membership campaign without outside assistance has just been completed by the Nampa, Idaho, Chamber of Commerce. The cam-

paign opened with a banquet, and after inspiring addresses membership applications were passed around. Applicants desiring membership signed these and returned them at once. Old and new members were divided into two camps, designated as the "Reds" and the "Blues," respectively. To each member of the two camps were distributed pins bearing the emblem of the organization and the inscription "All together for Nampa." A supply of pins and application blanks was given to each member, and each member constituted himself a committee of one to secure new members. It was unanimously decided that at the end of the campaign thus inaugurated the camp securing the fewest applications was to pay for a banquet to the entire organization, at the end of the campaign. The next morning a large dial was erected on the most prominent corner of the city, half of which was painted red and the other half blue, each half being numbered and having movable hands to indicate the membership being obtained by each camp. On the first day every person not decorated with a red or blue pin was considered a prospective member. Over 50 applications were turned in on each of the first three days, the hands of the dial being moved ahead each morning to indicate the standing of the teams at the close of the previous day. The ten-day campaign resulted in an increase of approximately 250 per cent in membership.

Information Available

Answers to any of the questions asked in Questionnaire No. 2 can be obtained on application as soon as tabulation is completed. These questions relate to the following subjects:

1. Membership committee work.
2. Membership campaigns.
3. Solicitors on salary and commission.
4. Terms of membership.
5. Interesting the members.
6. House organs.
7. Effect of increasing rate of dues.

Civic Cooperation in Chicago

THE Industrial Club of Chicago has appointed a Committee on Civic Cooperation, whose object it is to coordinate all of those in the city who desire to help in the enforcement of laws and ordinances relating to health, sanitation, fire prevention and police protection.

When anyone enrolls as a Cooperator it is not required that he join the organization, but only that he agree to observe the laws referred to and by example and suggestion endeavor to bring about their observance by others. A Cooperator will be furnished with a recorded card of credentials signed by the Mayor, Commissioner of Health, and by the Chairman of the Civic Cooperation Committee of the Industrial Club. He will also be given a summary of the city ordinances.

The endeavor is made to provide a means whereby unsanitary or unlawful conditions may be promptly reported and local correction applied; and if no correction is made, to forward the matter on authoritative lines to the heads of the city government. Opportunity is also afforded for Cooperators, combining with neighbors, themselves to bring about better conditions in a block or neighborhood without making it necessary to go to authority of any kind to secure correction.

A letter from the Chairman of the Committee, Mr. Angus S. Hibbard, states that the plan has been in operation for about six months and is believed to be a practical success.

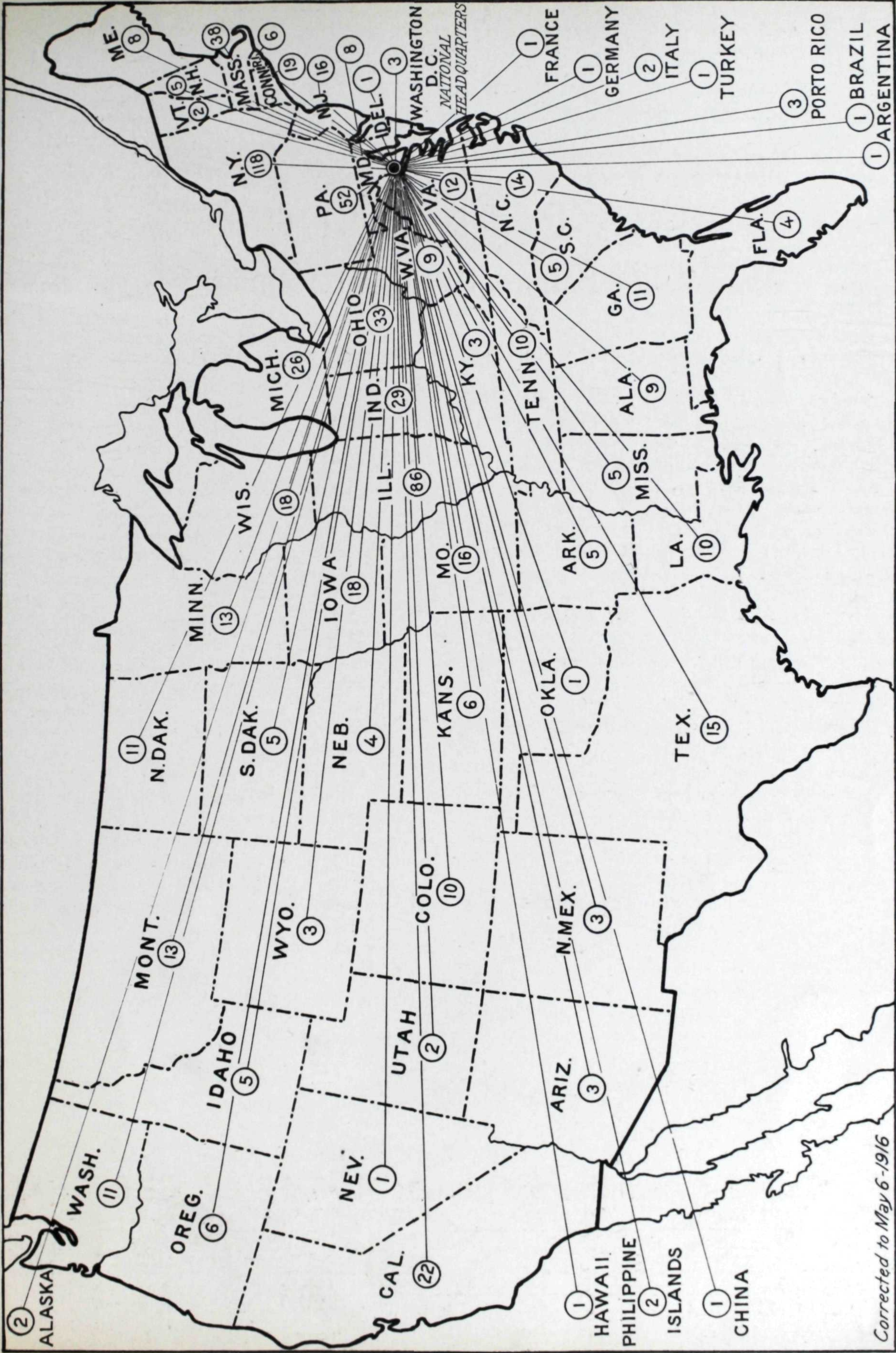
About 3,000 citizens are now enrolled and the letter states that reports of their activities show that they have given a continued and practical opportunity for civic helpfulness and that no complaint of over-officiousness of any kind has been made. The city authorities are said to be cooperating heartily in the movement. The Industrial Club at its recent annual meeting voted unanimously to continue the cooperator movement at its own expense.

Preparedness Campaign - Rochester Chamber of Commerce, May 9, 10, 11, 1916

NAVY								ARMY							
Admiral Joseph P. Henry.				Rear-Admirals William H. Campbell Edward A. Niel				General William J. O'Hea				MAJOR GENERALS Ezra J. Bolter Oscar L. Niles			
Battleship	Captains	Points	1st Day	2nd Day	3rd Day	Total	Percentage	Corps	Captains	Points	1st Day	2nd Day	3rd Day	Total	Percentage
Texas	George F. Dwyer	54	6	4	8	18		Lancers	Barley J. Williamson	90.5	2	13	31	46	
New York	Ralph H. Culler	103.5	10	13	41	64		Zouaves	Harry J. McKay	242.5	10	10	61	81	
Oklahoma	Wm. E. Maloney	34.5	6	5		11		Invincibles	George F. Hixson	30	2	4	4	10	
North Dakota	Frederic W. Townsend	121.5	7	7	28	42		Grenadiers	Frank H. Phares	86	9	6	12	27	
Utah	Morris F. Clark	46	5	5	13	23		Rough-Riders	John R. Powers	925	3	14	16	33	
Newark	Frank L. Cushman	62	6	2	12	20		Continental	John T. Shumaker	615	6	7	7	20	
Florida	James E. Keiso	3	1	1		1		Cavaliers	George B. Schoettel	40	4	4	9	13	
Delaware	George E. Francis	74.5	7	2	15	24		Fusiliers	John Rodger	275	4	1	4	9	
Arkansas	William S. Wallace	111.5	6	6	22	34		Battery	Harry J. May	72	2	9	11	22	
Wyoming	Frank Decker	35	3	3	5	11		Musketeers	John H. Newman	80	5	4	16	25	
TOTALS		738.5	56	50	144	250		TOTALS		822.5	43	72	171	286	

GRAND TOTAL 536

Service for Organizations in Every State—Chamber of Commerce of the United States



Corrected to May 6-1916

Each circle shown here contains the number of organizations in that section affiliated with the National Chamber. There are now upwards of 700 local and national trade bodies representing more than 300,000 firms, corporations, and business men. Lines radiate from Washington where the national headquarters of the Chamber of Commerce of the United States are located.

THE REFERENDUM

What It Is and What It Means

THE steps taken by the Chamber of Commerce of the United States to secure the views of business men in the smallest city as well as the greatest metropolis may be briefly outlined. When a question truly national in scope is presented for consideration, it is referred by the Board of Directors to a carefully selected committee. The committee report is presented to the Board. Here it is reviewed by twenty-five men from all sections of the United States who have different business affiliations and varying ideas. The Board has power to submit the referenda.

After the votes of the organizations have been recorded on a referendum, the Board of Directors does not permit the matter to rest there. It carefully assembles these votes and makes a chart, showing how every organization in the country voted on the several questions. This chart also indicates the membership of each organization, and if any special opinion is forwarded with the ballot it is summarized and printed in the chart. Copies of the referendum and the chart are sent to the President of the United States, to every member of the Cabinet and to all members of Congress.

The Executive Committee of the Board appoints a special committee or authorizes the standing committee to follow the matter up, to appear before committees of Congress, or through organizations affiliated with the National Chamber to take up the question with members from their home districts. The result is that every member of Congress knows exactly what was considered, whether the presentation was fair, and just how each section voted. A referendum can be settled in forty-five days.